



**Solihull Metropolitan Borough Council  
Accounting Statement  
2013/14**



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## **Explanatory Foreword**

Welcome to Solihull Metropolitan Borough Council's Statement of Accounts for the financial year 2013/14. These accounts set out, in accordance with approved guidelines, the financial results of the Council's activities for the year ended 31 March 2014.

The Council's ambition is to deliver high quality services for all its residents. More details on Council activities are available on our website: [www.solihull.gov.uk](http://www.solihull.gov.uk)

### **Review of 2013/14**

#### **Approving the Budget**

The Council's budget for 2013/14 was £177.313m, excluding schools which are directly funded by the Dedicated Schools Grant (DSG) from central government. The budget was approved on 28 February 2013, with planned expenditure on services increasing by £12.180m over the 2012/13 base budget and of this amount £1.520m was against increased funding pressures, £1.038m against inflationary increases, £5.654m for services that were previously funded from separate grants that have now been transferred into formula grant, £5.597m from changes in funding to Education related grants and (£1.629m) on changes to Council Tax Freeze Grant, New Homes Bonus funding, NHS Social Care Grant and Adoption Reform Grant.

Efficiency savings totalling (£7.178m) were identified as part of the budget process and due to changes in the arrangements for funding around business rates there has been an increase in the budget of £26.754m which represents the tariff and levy payments, plus other minor changes of £615,000. There was an overall increase in the budget of £32.371m for the year.

For 2013/14 the Council set a Band D council tax of £1,173.72 (excluding Police, Fire and Parish Precepts) which was the same as the previous three years.

#### **Financial Management**

The Council adopts a cash limited approach to its Budget with Cabinet Members and Corporate Directors being responsible for ensuring services are delivered within budget, whilst allowing flexibility within the overall cash limit to transfer money from one budget head to another to meet changing demands. This process is supported by a series of delegations overseen by the Leader of the Council.

#### **Capital Spending Summary**

Capital spending is money spent on fixed assets that have a life expectancy of more than one year and, therefore, have the potential to benefit not just current but future taxpayers within the Borough. The assets are usually funded over a longer period than one year, either from borrowing, grants or from reserves built up over a period of time.

The total spending on the capital programme for 2013/14, including the Housing Revenue Account (HRA), was £43.536m compared with a revised budget of £50.041m, giving a net variance in year of (£6.505m). Re-phasing of £6.486m will be added into the capital programme for 2014/15.

A summary of the Council's internal and external sources of funds available to meet its capital expenditure and other financial commitments including PFI/PPP schemes is included in Note 48.

During the year the Council acquired assets in the North of the Borough to the value of £1.310m. The disposal of assets resulted in total capital receipts for the Council during the year of £4.634m. These included disposals of HRA right to buy properties amounting to £2.541m (net of administration costs) and further redemption of a proportion of preference shares in the Coventry & Solihull Waste Disposal Company resulted in a capital receipt of £1.200m.

## Revenue Spending Summary

The final position on the General Fund for the year results in an increase of £200,000 to the forecast working balances figure at 31 March 2017 of £6.358m, which is included within the Council's latest Medium Term Financial Strategy (MTFS), to £6.558m.

A report to Full Cabinet on the 19th June 2014 details the Final Accounts position for 2013/14 for the Council. Note 41 in the Accounting Statement gives the breakdown of the total Income and Expenditure by Cabinet portfolio. However there are some differences between what is reported in the Full Cabinet report and Note 41. The table below provides a reconciliation between the two in order to demonstrate how the Accounting Statement links to the Final Accounts position reported to Full Cabinet.

<b><u>Reconciliation to Full Cabinet report dated 19th June 2014 - Final Accounts position for 2013/14</u></b>	<b><u>£'000</u></b>
<b>Sub total Cabinet Portfolio actual expenditure as per the Full Cabinet report Appendix A</b>	<b>139,455</b>
Dedicated Schools Grant actual expenditure position	(283)
Contributions to new or existing reserves (which have already been treated as processed for the purposes of the Accounting Statement) - approval being sought from Full Cabinet on the 19th June	2,934
<b>Total Expenditure as per the Amounts reported for resource allocation decisions in Note 41 page 68</b>	<b>142,106</b>
Levies actual expenditure for 2013/14 (not included in any of the individual Cabinet Portfolios position)	37,824
Contributions from contingencies and working balances (also not included in any of the individual Cabinet Portfolios position)	(3,980)
Future years commitments amounts - approval being sought from Full Cabinet on the 19th June	940
DSG carry forward of the 2013/14 underspend into 2014/15	223
<b>Revised total expenditure for 2013/14</b>	<b>177,113</b>
<b>Total Council budget for 2013/14</b>	<b>177,313</b>
<b>Movement in working balances overall at the end of 2013/14 - referred to above</b>	<b>(200)</b>

## Statement of Accounts

The Statement of Accounts includes a Statement of Accounting Policies, which explains the way we have accounted for items in this document, and in the Core Financial Statements.

The Statement of Accounting Policies has been revised in 2013/14 to take account of any changes during the year.

Explanations of the Core Financial Statements included in the Statement of Accounts have been included at the beginning of each Core Financial Statement. These can be found on the following pages:-

Movement in Reserves Statement (MIRS)	page 11
Comprehensive Income and Expenditure Statement (CI&ES)	page 15
Balance Sheet	page 17
Cash Flow Statement	page 21

The Supplementary Financial Statements section contains the following statements:

Housing Revenue Account (HRA)	page 111
Collection Fund	page 117
Group Accounts	page 121

## **Other areas to Highlight in 2013/14**

### **Pension Liability**

There is currently a net deficit attributable to the Council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Mercer Human Resource Consulting). Steps have been taken to address this deficit within the medium and long term financial strategy of the Council. Please refer to Note 53 for further details.

### **Academy Schools**

During 2013/14 two schools became Academy schools, these were Knowle CofE Junior and Infant School and Bentley Heath Junior School. Due to this change the associated land, which is still owned by the Council, was revalued resulting in a charge to the accounts of £1.163m.

During 2014/15 three more schools are due to become Academy schools; Marston Green Infants, Smithswood Primary and Oaklands Special School. The associated land will be revalued, and the buildings will be disposed of, resulting in an approximate charge to the accounts of £20.306m in 2014/15.

### **Impact of Current Economic Climate**

Whilst there was more positive economic data released in the final quarter of 2013 the government does not expect net borrowing to be eradicated until 2018/19 when a small budget surplus is forecast. Within this context the reduction of the public sector deficit remains the clear priority of the coalition government in its strategy to restore financial stability and ultimately secure continued growth within the UK over the longer term. As recently as January 2014, the Chancellor announced that a further £25 billion of additional public sector funding cuts would be required after the next election in 2015. This strategy will obviously have a significant impact on the Council's financial position. The Council has a three year financial plan which goes up to 2016/17 and will soon begin discussions on the plan for the 2017/18 budget.

### **Changes to local government funding during 2013/14**

Local government is now funded from three main sources: council tax, revenue support grant (RSG) and a share of business rates income.

Since April 2013 local authorities no longer pay all their business rates income to central government and receive a share of the business rates pool back as part of formula grant, but instead they are able to retain a proportion of the growth in their business rates income.

Single tier authorities like Solihull are required to pay 50% of the business rates income they collect to central government (the 'central share') and 1% to the fire authority, leaving a 'local share' of 49%.

The local share is then either increased by a top-up from government or reduced by a tariff payment, depending on each authority's relative funding position. Tariff authorities, such as Solihull, will be liable to pay a levy to government on any growth in their income, with the balance being retained by the authority. The Council has entered into a pool with the other authorities in the Greater Birmingham and Solihull Local Enterprise Partnership (LEP), therefore the value of the levy is retained by the pool.

In addition to the above, business rate revaluations which were previously charged to a national pool, now have a direct impact on the Council's income from business rates. For further information please refer to the Collection Fund on page 117.

The government also replaced council tax benefit with a localised system of council tax support from April 2013. The impact of these changes is that households claiming council tax support are partly or wholly excluded from the council tax billing process and the Council's tax base has been reduced accordingly. In 2013/14 the government transferred 90% of the funding previously dedicated to council tax benefit to local authorities to offset part of the cost of this reduction in the tax base, but the balance had to be found either through a lower-cost local scheme or through making savings elsewhere in the authority's budget.

In 2013/14 the responsibility for Public Health services moved to local government. To fund these services the Council received a ring fenced grant of £9.636m in 2013/14 rising to £9.900m in 2014/15.

### **Future Plans**

Details of RSG allocations at a local authority level were announced in February 2014 for 2014/15 and provisionally for 2015/16, but there remains considerable uncertainty around levels of funding beyond that. At this stage therefore the strategy assumes reductions in RSG for 2016/17 in line with the current trajectory.

Business rates income for 2014/15 is based on the Council's forecast as set out in the NNDR1 return to government. Of the total forecast yield, 49% will form the 'local share' attributable to Solihull. This figure will be reduced by a tariff payment to central government, and the amount by which the balance exceeds the baseline funding level set by the government is then subject to a levy payment.

For future years the MTFs assumes an underlying level of growth in our net rates yield consistent with the government's assumptions in the settlement, plus an estimate of the additional business rates income that would be generated from known or anticipated new developments in the borough in 2015/16 and 2016/17, including the NEC and the Airport. The anticipated growth partly offsets the reductions in RSG.

Under the business rates retention scheme, authorities can choose to join with other neighbouring authorities to be treated as a single entity for the purpose of calculating tariff/top up payments and levy rates. Solihull has entered into a pooling arrangement with the other authorities in the Greater Birmingham and Solihull Local Enterprise Partnership (LEP). The relative size of Birmingham City Council, as the largest member of the Greater Birmingham and Solihull Pool, means that the entire pool becomes a top-up pool and is not liable to pay a levy. The amount that would otherwise have been payable by an individual authority as a levy to central government is retained by the pool for allocation within the LEP area.

As far as income from council tax is concerned, the grant awarded to local authorities to fund a council tax freeze in 2011/12 has been rolled into base funding whilst the grant received in 2012/13 was a one off. A further grant was received to fund a freeze in 2013/14 which will also be rolled into base funding from 2014/15 onwards. The settlement for 2014/15 and provisional settlement for 2015/16 includes a freeze grant rolled into RSG for those authorities that do not increase council tax. The MTFs assumes that council tax will increase by a maximum of 2.0% per annum from 2015/16.

To put the Council's funding position into context, in 2013/14 54% of the Council's funding for its net General Fund budget (i.e. excluding schools, the Housing Revenue Account and services funded from specific grants) came from council tax and 26% from central government through RSG. This balance of funding between council tax and RSG is unusual in that most other metropolitan districts receive proportionately more of their funding through RSG, and arises from the fact that historically the Council has received the lowest level of grant per head of any metropolitan district, whilst also having a relatively high tax base which, in principle, enables the Council to raise more funds through council tax. Solihull collects relatively high levels of business rates compared to other metropolitan districts, but the system of tariff and top-up payments reduced the amount of the Council's funding provided by business rates to 20% in 2013/14.

### **Dedicated Schools Grant**

Major changes will be introduced relating to services funded from the Dedicated Schools Grant (DSG), including constraints on what may be held centrally, reforms relating to special educational needs (SEN) and changes to the local funding formula that funds individual schools. These changes will affect individual schools and the provision of non-delegated schools services.



### **The Council's Top 4 Priorities**

The Council now has four new priorities within the new Council Plan for 2014 to 2018. These are as follows:-

- Improve Health and Wellbeing
- Managed Growth
- Build Stronger Communities
- Deliver Value

Information on the Council's new priorities is available on the Council's website [www.solihull.gov.uk](http://www.solihull.gov.uk)

**Paul Johnson CPFA  
Director of Resources  
25 September 2014**

## **Statement of Responsibilities**

### **The Council's Responsibilities:**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources.

The Director of Resources will:

- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The Director of Resources' Responsibilities:**

The Director of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Accounting Statement, the Director of Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records that were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Director of Resources is required to sign and date the Accounting Statement, stating that it gives a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2014.

**Chair of Governance Committee**  
25 September 2014

**Paul Johnson CPFA**  
**Director of Resources**  
25 September 2014

# **Movement In Reserves Statement**

## Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net (Increase)/Decrease before the Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2013/14	General Fund Working Balance £000	Earmarked General Fund Balance £000	Specific Revenue Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2013 brought forward</b>	<b>(15,796)</b>	<b>(3,653)</b>	<b>(42,450)</b>	<b>(8,235)</b>	<b>(1,536)</b>	<b>(1,282)</b>	<b>(8,830)</b>	<b>(81,782)</b>	<b>(258,565)</b>	<b>(340,347)</b>
(Surplus) or deficit on the provision of services	19,040			(7,185)				11,855	0	11,855
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(98,359)	(98,359)
<b>Total comprehensive income and expenditure</b>	<b>19,040</b>	<b>0</b>	<b>0</b>	<b>(7,185)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,855</b>	<b>(98,359)</b>	<b>(86,504)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(25,996)			5,801	(1,053)	(549)	(366)	(22,163)	22,163	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(6,956)</b>	<b>0</b>	<b>0</b>	<b>(1,384)</b>	<b>(1,053)</b>	<b>(549)</b>	<b>(366)</b>	<b>(10,308)</b>	<b>(76,196)</b>	<b>(86,504)</b>
Transfers to/(from) Earmarked Reserves (Note 7)	9,191	382	(9,573)	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2013/14</b>	<b>2,235</b>	<b>382</b>	<b>(9,573)</b>	<b>(1,384)</b>	<b>(1,053)</b>	<b>(549)</b>	<b>(366)</b>	<b>(10,308)</b>	<b>(76,196)</b>	<b>(86,504)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(13,561)</b>	<b>(3,271)</b>	<b>(52,023)</b>	<b>(9,619)</b>	<b>(2,589)</b>	<b>(1,831)</b>	<b>(9,196)</b>	<b>(92,090)</b>	<b>(334,761)</b>	<b>(426,851)</b>

<b>2012/13 Restated</b>	General Fund Working Balance £000	Earmarked General Fund Balance £000	Specific Revenue Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2012</b>	<b>(16,467)</b>	<b>(2,153)</b>	<b>(37,868)</b>	<b>(4,379)</b>	<b>(1,945)</b>	<b>(1,547)</b>	<b>(10,429)</b>	<b>(74,788)</b>	<b>(349,208)</b>	<b>(423,996)</b>
<b>Movement in Reserves during 2012/13</b>										
(Surplus) or deficit on the provision of services *	39,908	0	0	(5,965)	0	0	0	<b>33,943</b>	0	<b>33,943</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	49,706	<b>49,706</b>
<b>Total comprehensive income and expenditure</b>	<b>39,908</b>	<b>0</b>	<b>0</b>	<b>(5,965)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,943</b>	<b>49,706</b>	<b>83,649</b>
Adjustments between accounting basis & funding basis under regulations (Note 6) *	(45,319)	0	0	2,109	409	265	1,599	<b>(40,937)</b>	40,937	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(5,411)</b>	<b>0</b>	<b>0</b>	<b>(3,856)</b>	<b>409</b>	<b>265</b>	<b>1,599</b>	<b>(6,994)</b>	<b>90,643</b>	<b>83,649</b>
Transfers to/(from) Earmarked Reserves (Note 7)	6,082	(1,500)	(4,582)	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>(Increase)/Decrease in 2012/13</b>	<b>671</b>	<b>(1,500)</b>	<b>(4,582)</b>	<b>(3,856)</b>	<b>409</b>	<b>265</b>	<b>1,599</b>	<b>(6,994)</b>	<b>90,643</b>	<b>83,649</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(15,796)</b>	<b>(3,653)</b>	<b>(42,450)</b>	<b>(8,235)</b>	<b>(1,536)</b>	<b>(1,282)</b>	<b>(8,830)</b>	<b>(81,782)</b>	<b>(258,565)</b>	<b>(340,347)</b>

\* The General fund (Surplus) or deficit on the provision of services and Adjustments between accounting basis & funding basis under regulations have been restated to account for the changes to accounting for Pension costs as a result of IAS19, further details can be found within the Prior Period Adjustments note on page 24.



# **Comprehensive Income and Expenditure Statement**

## Comprehensive Income and Expenditure Statement (CI&ES)

This statement shows the income, expenditure and net cost during the year in relation to each service the Council is responsible for. The statement also shows the net cost for other areas of income and expenditure, not directly relating to a service. This results in a Deficit on Provision of Services. Following this there are other items of (Surplus) or Deficit that need to be shown as Other Comprehensive Income & Expenditure. There can be a deficit or surplus showing at the bottom of this statement due to a number of differences between the way in which the Council is funded and the way we have to show our income and spending in the CI&ES. These differences are adjusted for in the Movement in Reserves Statement. It is the General Fund Working Balance increase or decrease shown in the Movement in Reserves (on page 11) which shows the overall revenue position for the Council.

31 March 2013 Restated <sup>1 &amp; 2</sup>			31 March 2014		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
78,487	(22,713)	55,774	77,711	(17,047)	60,664
6,456	(4,201)	2,255	4,810	(3,464)	1,346
202,642	(146,714)	55,928	201,839	(144,790)	57,049
12,167	(3,957)	8,210	10,624	(2,673)	7,951
19,204	(6,655)	12,549	17,960	(6,153)	11,807
26,531	(7,366)	19,165	23,254	(5,974)	17,280
29,493	(41,940)	(12,447)	31,024	(44,513)	(13,489)
62,749	(60,380)	2,369	61,723	(59,982)	1,741
6,313	(6,515)	(202)	10,031	(9,734)	297
11,748	(5,687)	6,061	10,101	(3,933)	6,168
6,559	(1,855)	4,704	4,910	(848)	4,062
206	(531)	(325)	264	(937)	(673)
<b>462,555</b>	<b>(308,514)</b>	<b>154,041</b>	<b>454,251</b>	<b>(300,048)</b>	<b>154,203</b>
		<b>Cost Of Services</b>			
		1,297			1,121
		11,531			11,069
		907			1,153
		5,159			(874)
		<b>18,894</b>			<b>12,469</b>
		10,644			10,273
		206			204
		5,673			5,779
		7,864			8,768
		(552)			(456)
		(894)			(3,674)
		11,157			(5,618)
		(4,514)			(4,417)
		321			268
		<b>29,905</b>			<b>11,127</b>
		(94,865)			(84,844)
		(49,837)			(24,380)
		(14,515)			(43,497)
		(9,680)			(13,223)
		<b>(168,897)</b>			<b>(165,944)</b>
		<b>33,943</b>			<b>11,855</b>
		5,917			(50,573)
		1,986			460
		0			(23,333)
		42,678			(23,097)
		(875)			(1,816)
		<b>49,706</b>			<b>(98,359)</b>
		<b>83,649</b>			<b>(86,504)</b>

<sup>1</sup> Restatements have been made to Gross Service expenditure, Pension interest costs and Actuarial losses on pension assets/liabilities due to the implementation of a revised IAS19. Further details can be found within Note 1 - Prior Period Adjustments and Note 53 - Defined Benefit Pension Schemes.

<sup>2</sup> From 2013/14, Public Health is included on a separate service line in the CI&ES. In 2012/13, Public Health services were included in Environmental and Regulatory Services, therefore the comparative figures have been restated.

\* Explanations for significant movements can be found in Note 5 - Material Items of Income and Expenditure on page 29.



# Balance Sheet

## Balance Sheet

The Balance Sheet shows the overall financial position of the Council at the year end, by detailing how much is owned by the Council and how much it owes. The net assets of the Council (what is owned less what is owed) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council and Schools may use to provide services. The second category of reserves is those that the Council is not able to use to provide services.

<b>31 March 2013 £000</b>		<b>31 March 2014 £000</b>	<b>Notes</b>
286,224	Council Dwellings	290,622	
358,143	Other Land and Buildings	386,721	
17,244	Vehicles, Plant and Equipment	12,268	
89,202	Infrastructure	93,067	
11,594	Community Assets	11,681	
7,685	Assets under Construction	15,573	
770,092	sub-total Property, Plant & Equipment	809,932	8
950	Heritage Assets	950	14
79,082	Investment Property	84,832	15
772	Intangible Assets	867	16
34,207	Long Term Investments	43,173	17
1,550	Long Term Debtors	1,756	25
<b>886,653</b>	<b>Total Long Term Assets</b>	<b>941,510</b>	
9,688	Short Term Investments	17,951	21
479	Inventories	603	23
19,755	Short Term Debtors	26,137	24
2,551	Cash and Cash Equivalents	6,040	26
2,901	Payments in Advance	4,193	27
53	Carbon Allowances	0	28
<b>35,427</b>	<b>Current Assets</b>	<b>54,924</b>	
(5,923)	Bank Overdraft	(8,107)	26
(5,068)	Short Term Borrowing	(8,342)	21
(42,159)	Short Term Creditors	(34,214)	29
(2,092)	Short Term Provisions	(1,857)	32
(9,512)	Receipts in Advance	(13,879)	31
<b>(64,754)</b>	<b>Current Liabilities</b>	<b>(66,399)</b>	
(57)	Long Term Creditors	0	30
(2,332)	Long Term Provisions	(2,836)	32
(227,822)	Long Term Borrowing	(227,485)	21
(218,183)	Net Pensions Liability	(205,797)	53
(66,232)	Other Long Term Liabilities	(63,652)	21
(2,353)	Capital Grants Receipts in Advance	(3,414)	45
<b>(516,979)</b>	<b>Long Term Liabilities</b>	<b>(503,184)</b>	
<b>340,347</b>	<b>Net Assets</b>	<b>426,851</b>	

<b>31 March 2013 £000</b>		<b>31 March 2014 £000</b>	<b>Notes</b>
(15,796)	General Fund Working Balance	(13,561)	
(3,653)	General Fund Earmarked Balance	(3,271)	
(42,450)	Specific Revenue Reserves	(52,023)	
(8,235)	Housing Revenue Account (HRA)	(9,619)	
(1,536)	Capital Receipts Reserve	(2,589)	
(1,282)	Major Repairs Reserve	(1,831)	
(8,830)	Capital Grants Unapplied Account	(9,196)	
<b>(81,782)</b>	<b>Usable Reserves</b>	<b>(92,090)</b>	Page 11 (MIRS)
(103,966)	Revaluation Reserve	(148,597)	
(9,686)	Available for Sale Financial Instruments Reserve	(33,019)	
(366,245)	Capital Adjustment Account	(365,884)	
(604)	Financial Instruments Adjustment Account (FIAA)	(437)	
218,183	Pensions Reserve	205,797	
388	Collection Fund Adjustment Account	4,884	
3,365	Accumulated Absences Account	2,495	
<b>(258,565)</b>	<b>Unusable Reserves</b>	<b>(334,761)</b>	36
<b>(340,347)</b>	<b>Total Reserves</b>	<b>(426,851)</b>	



# Cash Flow Statement

## Cash Flow Statement

The Cash Flow Statement summarises the movement of cash and cash equivalents during the year regardless of which year they relate to. The other statements are based on any transaction or change in value that is relevant to 2013/14. The Cash Flow Statement removes transactions that do not involve cash, for example, if the Council is owed money from a grant at the year end, it will be reflected in the CI&ES but not in the Cash Flow Statement. If a grant is received during the year in advance for the following year, it will be reflected in the Cash Flow Statement, but not in the CI&ES.

<b>31 March 2013 Restated * £000</b>		<b>31 March 2014 £000</b>
33,943	Net deficit on the provision of services	11,855
(76,693)	Adjustments to net deficit on the provision of services for non cash movements (Note 37)	(47,827)
7,101	Adjustments for items in the net deficit on the provision of services that are investing and financial activities	13,766
(35,649)	Net cash flows from operating activities (Note 38)	(22,206)
24,476	Investing activities (Note 39)	16,714
9,776	Financing activities (Note 40)	4,187
(1,397)	Net increase in cash and cash equivalents	(1,305)
(4,769)	Cash and cash equivalents at the beginning of the reporting period	(3,372)
<b>(3,372)</b>	Cash and cash equivalents at the end of the reporting period (Note 26)	<b>(2,067)</b>

\* The Adjustments to net deficit on the provision of services for non cash movements and Adjustments for items in the net deficit on the provision of services that are investing and financial activities have been restated to account for the changes to accounting for Pension costs detailed in Note 1. These changes net off within the cash flow statement and there is no resulting change to Net cash flows from operating activities.

## **Disclosure notes to the Accounts**

## 1. Prior Period Adjustments

The measurement of the Council's net pension liability is defined by the provisions of IAS19: Employee Benefits. This year, changes to the guidance have been implemented and the changes to the 2012/13 comparative figures are outlined below. The revised disclosure now requires that all actuarial gains and losses are recognised in the year of occurrence, within 'Other Comprehensive Income and Expenditure'.

The charge for Current Service costs now includes an element of interest relating to the year, this amount will be apportioned across service areas in the same proportions as Service costs.

Administration costs for the scheme are now recognised separately from the plan liabilities and the costs in the year have been allocated to Non Distributed Cost.

As a result of the change in policy, the apportionment of pension costs has been restated as shown in the following tables, however it has not resulted in any change to the overall net pension deficit as reported in the 2012/13 Balance Sheet.

### Effects on 2012/13 Comprehensive Income & Expenditure Statement

	Reported 2012/13 Net Expenditure £'000	Restatement £'000	Restated 2012/13 Net Expenditure £'000
<b>Cost of Services</b>			
sub total excluding Non Distributed Cost	154,057	309	154,366
Non Distributed Cost	(531)	206	(325)
<b>Cost of Services</b>	<b>153,526</b>	<b>515</b>	<b>154,041</b>
Pension interest costs	3,952	3,912	7,864
<b>Total Financing and Investment Income &amp; Expenditure</b>	<b>25,993</b>	<b>3,912</b>	<b>29,905</b>
<b>Deficit on Provision of Services</b>	<b>29,516</b>	<b>4,427</b>	<b>33,943</b>
Actuarial losses on pension assets/ liabilities	47,105	(4,427)	42,678
<b>Other Comprehensive Income and Expenditure</b>	<b>54,133</b>	<b>(4,427)</b>	<b>49,706</b>

### Effects on 2012/13 Group Comprehensive Income & Expenditure Statement

	Reported 2012/13 Net Expenditure £'000	Restatement £'000	Restated 2012/13 Net Expenditure £'000
<b>Cost of Services</b>	<b>151,795</b>	<b>568</b>	<b>152,363</b>
Pension interest costs	3,979	4,300	8,279
<b>Total Financing and Investment Income &amp; Expenditure</b>	<b>26,902</b>	<b>4,300</b>	<b>31,202</b>
<b>Deficit on Provision of Services</b>	<b>28,694</b>	<b>4,868</b>	<b>33,562</b>
Actuarial losses on pension assets/ liabilities	51,947	(4,868)	47,079
<b>Other Comprehensive Income and Expenditure</b>	<b>58,831</b>	<b>(4,868)</b>	<b>53,963</b>



Effects on 2012/13 Movement in Reserves Statement

	Reported 2012/13 £000	Restatement £000	Restated 2012/13 £000
<b><u>Usable Reserves</u></b>			
<u>General Fund Working Balances:</u>			
Deficit on the provision of services	35,481	4,427	39,908
<b>Total comprehensive income and expenditure</b>	<b>35,481</b>	<b>4,427</b>	<b>39,908</b>
Adjustment between accounting basis and funding basis under regulations	(40,892)	(4,427)	(45,319)
<b><u>Total Council Reserves:</u></b>			
Deficit on the provision of services	29,516	4,427	33,943
Other comprehensive income and expenditure	54,133	(4,427)	49,706
<b>Total comprehensive income and expenditure</b>	<b>83,649</b>	<b>0</b>	<b>83,649</b>
<b><u>Total Reserves (including Group):</u></b>			
Deficit on the provision of services	28,694	4,868	33,562
Other comprehensive income and expenditure	58,831	(4,868)	53,963
<b>Total comprehensive income and expenditure</b>	<b>87,525</b>	<b>0</b>	<b>87,525</b>

Effects on 2012/13 Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)

	Reported 2012/13 £000	Restatement £000	Restated 2012/13 £000
<b><u>Usable Reserves - General Fund Working Balances:</u></b>			
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the CI&ES:	(14,947)	(4,427)	(19,374)
<b>Total adjustments</b>	<b>(40,892)</b>	<b>(4,427)</b>	<b>(45,319)</b>
<b><u>Unusable Reserves:</u></b>			
Reversal of items relating to retirement benefits debited or credited to the CI&ES:	14,947	4,427	19,374
<b>Total adjustments</b>	<b>36,510</b>	<b>4,427</b>	<b>40,937</b>

Effects on 2012/13 Defined Benefit Pension Scheme (Note 53)**Transactions relating to post-employment benefits**

The following transactions have been made in the CI&ES and the General Fund Balance via the MIRS during the year:

	Reported 2012/13 £000	Restatement £000	Restated 2012/13 £000
<u>Comprehensive Income and Expenditure Statement</u>			
<u>Cost of Services:</u>			
• current service cost	12,590	309	12,899
• past service costs	0	0	0
• settlements and curtailments	(531)	0	(531)
• contributions to teachers scheme	(1,064)	0	(1,064)
• Administration costs	0	206	206
<u>Financing and Investment Income and Expenditure:</u>			
• interest cost	26,549	(26,549)	0
• expected return on scheme assets	(22,597)	22,597	0
• Net Interest expense	0	7,864	7,864
sub-total Post Employment Benefit charged to the Deficit on the Provision of Services	14,947	4,427	19,374
<u>Comprehensive Income and Expenditure Statement</u>			
<u>Other Gains and Losses</u>			
• actuarial losses	47,105	(4,427)	42,678
sub-total Post Employment Benefit charged to Other Comprehensive Income and Expenditure	47,105	(4,427)	42,678
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>62,052</b>	<b>0</b>	<b>62,052</b>
<u>Movement in Reserves Statement</u>			
• reversal of net charges made to the Deficit for the Provision of Services for post employment benefits in accordance with the Code	(14,947)	(4,427)	<b>(19,374)</b>

## 2. Accounting Standards that have been issued but not yet adopted

The Code of Practice requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

Under IAS8 there is the requirement for Councils to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code - we have summarised the impact of changes to Accounting Standards in the following table:

Standard	Summary	Impact for Solihull MBC
IFRS 10 - Consolidated Financial Statements	IFRS10 reviews the definition of control (investor power and the ability to direct the activities of an investee) and requires more judgement, notably of agency-principal relationships. Clarity on investor exposure or rights to variable returns could potentially result in new consolidations.	SMBC annually reviews its position in relation to the definition of control. It is not anticipated that the revision of IFRS 10 will result in any further changes.
IFRS 11 - Joint Arrangements	IFRS11 provides a principles-based definition of joint arrangements (joint operations or joint ventures) based on rights and obligations. Proportional consolidation accounting for joint ventures will no longer be permitted.	SMBC consolidates its joint arrangements on an equity accounting basis. It is not anticipated that the revised standard will result in any changes.
IFRS 12 - Disclosure of Interests in Other Entities	IFRS12 requires more disclosure of the financial effects on, and risks to, the consolidating entity. These include the nature of, and risks associated with, interests in other entities and the effect those interests have on its financial position, financial performance and cash flows.	SMBC will enhance its disclosure notes to meet the requirements of IFRS 12.

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Disclosure Note 58, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Accounting Statement are as follows:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- The Council is deemed to control the services provided under the Strategic Environment contract, the Building Schools for the Future (BSF) contracts and the Leisure contract. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the associated assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet;
- The Council has interests and relationships in other entities which are included in the Council's group accounts. Solihull Community Housing Ltd is consolidated as a wholly owned subsidiary of the Council and Coventry & Solihull Waste Disposal Company Ltd is included as a joint venture. Blythe Valley Innovation Centre Ltd was accounted for as a joint venture in 2012/13, however during 2013/14 the Council acquired the remaining shares and the Company is now consolidated as a wholly owned subsidiary within the Council's Group Accounts.

The accounting policies for Interests in companies and other entities have been applied.

#### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual charge for buildings would increase in these circumstances.
Provisions	The Council has made the following provisions in the Accounting Statement that are deemed to be uncertain: 1. Insurance provision of £2.604m based on the number of self insurance risk claims that are not covered by the Council's external insurance policies; 2. Non-domestic rates (NDR) appeals provision of £1.548m based on the latest position of appeals lodged as at 31 March 2014 and the best estimate of the expenditure that will be required to settle the successful appeals; 3. Carbon Reduction Commitment provision of £0.286m based on the mandatory participation in the government's Carbon Reduction Commitment Energy Efficiency scheme (CRCEES); 4. Closed Landfill Sites provision of £0.255m based on the expected future after care costs of a closed landfill site. Further detail on the provisions is given in Disclosure Note 32.	A change over the forthcoming year in the calculation basis of each provision would have the effect of increasing or decreasing the contribution to or from each of the provisions.
Contingent Asset	The Council has a Contingent Asset in the Accounting Statement for the financial interest held in the land at Blythe Valley. The Council has a right to receive a share of future land value receipts, yet there is uncertainty around the value and timing of these receipts. Further detail on the Contingent Assets is given in Disclosure Note 54.	The future receipts could be affected by a change in the Blythe Valley land value.
Contingent Liabilities	The Council has the following Contingent Liabilities in the Accounting Statement: 1. Grant Funded Projects 2. Revocation of Personal Search fees 3. Business Rates Appeals There is uncertainty around these Contingent Liabilities as they are based on future events, further detail on the Contingent Liabilities is given in Disclosure Note 55.	The effects on the Contingent Liabilities in the Accounting Statement can vary due to uncertain future events.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions																								
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>Further detail on the Pensions Liability is given in Disclosure Note 53.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>During 2013/14, the Council's actuaries advised that pensions assets have decreased by £35.373m due to estimates being corrected as a result of experience but the pensions liabilities have reduced by £61.734m attributable to updating of the assumptions.</p>																								
Arrears	<p>At 31 March 2014, the Council had the following balances of debtors outstanding for which appropriate provisions have been made:-</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Arrears</u></th> <th style="text-align: right;"><u>Provision</u></th> </tr> </thead> <tbody> <tr> <td>Accounts receivable</td> <td style="text-align: right;">£9.324m</td> <td style="text-align: right;">£1.211m (13%)</td> </tr> <tr> <td>Council tax</td> <td style="text-align: right;">£4.068m</td> <td style="text-align: right;">£2.617m (64%)</td> </tr> <tr> <td>Housing benefit</td> <td style="text-align: right;">£2.046m</td> <td style="text-align: right;">£1.473m (72%)</td> </tr> <tr> <td>HRA (rent &amp; service charges)</td> <td style="text-align: right;">£2.318m</td> <td style="text-align: right;">£1.724m (74%)</td> </tr> <tr> <td>Non-domestic rates</td> <td style="text-align: right;">£2.547m</td> <td style="text-align: right;">£0.817m (32%)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">£15.948m</td> <td style="text-align: right;">£0.516m (3%)</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>£36.251m</b></td> <td style="text-align: right;"><b>£8.358m (23%)</b></td> </tr> </tbody> </table> <p>Provisions are kept under review to ensure their continued adequacy.</p>		<u>Arrears</u>	<u>Provision</u>	Accounts receivable	£9.324m	£1.211m (13%)	Council tax	£4.068m	£2.617m (64%)	Housing benefit	£2.046m	£1.473m (72%)	HRA (rent & service charges)	£2.318m	£1.724m (74%)	Non-domestic rates	£2.547m	£0.817m (32%)	Other	£15.948m	£0.516m (3%)		<b>£36.251m</b>	<b>£8.358m (23%)</b>	<p>If collection rates were to deteriorate, an additional amount of bad debt provision would be required.</p>
	<u>Arrears</u>	<u>Provision</u>																								
Accounts receivable	£9.324m	£1.211m (13%)																								
Council tax	£4.068m	£2.617m (64%)																								
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Other	£15.948m	£0.516m (3%)																								
	<b>£36.251m</b>	<b>£8.358m (23%)</b>																								

## 5. Material Items of Income and Expenditure included within the CI&ES

### Adult Social Care

The Learning Disabilities and Health Reform Grant which was previously credited to income within the Adult Social Care service line (2012/13: £5.121m) has now been consolidated into the Council's formula funding allocation from central government which is shown within the non-ring fenced government grants line below the Cost of Services line.

### Children's and Education Services

Since 2009/10 a number of schools have left local authority control and have attained academy status. As the schools' status has changed this has resulted in a reduction in both Dedicated Schools Grant (DSG) income and expenditure and downward revaluations of land within the Children's and Education Services line.

### Public Health

The Health and Social Care Bill provided for the transfer of specified Public Health functions to local authorities with effect from April 2013. The Council undertook the transfer of some of these services under a Section 75 agreement with effect from April 2012 in order to accelerate the integration of health and social care services within the Borough. The remaining services were transferred to the Council with effect from 1st April 2013, financed by a ring fenced grant received from Public Health England of £9.636m.

Note 5 continued

(Gain) / Loss on Disposal of Non-current Assets

There has been a net gain on the disposal of assets (£0.874m), primarily as a result of a gain on the balance sheet value in the disposal of Right to Buy properties within the Housing Revenue Account. In 2012/13 the CI&ES showed a net loss on disposal of fixed assets (£5.159m) due to two schools attaining academy status and the buildings being removed from the asset register. The buildings of the schools which attained academy status in 2013/14 are not assets on the Council asset register due to the legal ownership of the schools.

Other Investment Income

During 2013/14 the Council received a special dividend in relation to its shareholding in Birmingham Airport Holdings Ltd of £2.888m.

Changes in fair value of investment properties

Following research of the latest market evidence at the valuation date of 1 April 2013, the fair value of some assets increased to demonstrate their potential market appeal.

Council tax

With effect from 1 April 2013 council tax benefit has been replaced with a localised system of council tax support. Under the old system, council tax income which was funded through benefit was included within council tax income in the CI&ES. Under the new system, households claiming council tax support are partly or wholly excluded from the council tax billing process and the Council's tax base has reduced accordingly. This reduction in council tax income has been partly offset by government grant included in the non-ring fenced government grants line of the CI&ES.

Non-domestic rates (NDR)/ Non-ring fenced government grants

2013/14 was the first year of the replacement of the formula funding system of government grant with a system based in part on local business rates retention which has impacted on the figures in comparison with last years figures. From April 2013 we no longer pay all of our business rates income to central government and receive a share of the business rates pool back as part of Formula Grant, but instead retain a proportion of the growth in business rates income. Single tier authorities like Solihull are required to pay 50% of the business rates income they collect to central government, 1% to the West Midlands Fire & Rescue Authority leaving a local share of 49%. Solihull as a tariff authority is liable to pay a levy to government on any growth in their income, with the balance being retained by the Council.

The NDR figure is therefore made up of Solihull's Business Rates Baseline figure of £49.4m less our tariff payment of £25.0m, to give a net figure of £24.4m.

Please refer to the Grant Income note on page 76 and 77 where there is a table explaining the movements in the non-ring fenced government grant figure, specific grants which have been transferred into Revenue Support Grant and Business Rates Baseline funding.

(Surplus) or deficit on revaluation of property, plant & equipment

This year as part of the 5 year rolling programme of asset revaluations, the outcome of the valuations for 2013/14 has resulted in an increase in the value of our non-current assets. This reflects market conditions at the date of valuation and any consideration of the potential future use of the asset.

Surplus on revaluation of available for sale financial assets

The valuation exercise of the Coventry & Solihull Waste Disposal Company undertaken for this year's Accounting Statement has now been completed; this has resulted in an increase in the valuation of the Council's ordinary shares of £23.333m.

Actuarial (gains)/ losses on pension assets/liabilities

This line reflects variations in the actuarial assumptions as provided by the Council's actuaries. Further information regarding pension schemes can be found within note 53.

## 6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the CI&amp;ES:</u>							
Charges for depreciation and impairment of non-current assets	(24,872)	(10,128)	0	0	0	35,000	
Revaluation losses on Property, Plant and Equipment	(10,739)	0	0	0	0	10,739	
Movements in the market value of Investment Property	5,618	0	0	0	0	(5,618)	
Amortisation of intangible assets	(305)	(133)	0	0	0	438	
Capital grants and contributions applied	15,878	0	0	0	0	(15,878)	
Revenue expenditure funded from capital under statute	(7,108)	(4)	0	0	0	7,112	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(1,994)	(1,763)	0	0	0	3,757	
<u>Insertion of items not debited or credited to the CI&amp;ES:</u>							
Statutory provision for the repayment of debt	9,953	0	0	0	0	(9,953)	
Capital expenditure charged to the General Fund and HRA balances	1,237	3,896	0	0	0	(5,133)	
HRA loans fund principal contribution for the year	0	808	0	0	0	(808)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the CI&ES	(41)	407	0	0	(366)	0	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Credits to the Capital Receipts Reserve to repay debt	0	0	(60)	0	0	60	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	2,029	2,602	(4,631)	0	0	0	
Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	0	0	2,424	0	0	(2,424)	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(61)	0	61	0	0	0	
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(1,153)	0	1,153	0	0	0	
<b>Balance c/fwd</b>	<b>(11,558)</b>	<b>(4,315)</b>	<b>(1,053)</b>	<b>0</b>	<b>(366)</b>	<b>17,292</b>	

Note 6 continued

2013/14	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
<b>Balance b/fwd</b>	(11,558)	(4,315)	(1,053)	0	(366)	17,292	
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	0	10,182	0	(10,182)	0	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,633	0	(9,633)	
<b>Adjustment primarily affecting the Deferred Capital Receipts Reserve:</b>							
Adjustment primarily affecting the Deferred Capital Receipts Reserve	0	0	0	0	0	0	
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(101)	(66)	0	0	0	167	
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (See Note 53)	(23,521)	0	0	0	0	23,521	
Employers' contributions payable to scheme	12,810	0	0	0	0	(12,810)	
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and NDR income credited to the CI&ES is different from that calculated for the year in accordance with statutory requirements	(4,496)	0	0	0	0	4,496	
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	870	0	0	0	0	(870)	
<b>Total Adjustments</b>	<b>(25,996)</b>	<b>5,801</b>	<b>(1,053)</b>	<b>(549)</b>	<b>(366)</b>	<b>22,163</b>	



Note 6 continued

	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
<b>2012/13 Comparative Figures Restated</b>							
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the CI&amp;ES:</u>							
Charges for depreciation and impairment of non-current assets	(21,470)	(9,782)	0	0	0	31,252	
Revaluation losses on Property, Plant and Equipment	(11,329)	(72)	0	0	0	11,401	
Movements in the market value of Investment Property	(11,157)	0	0	0	0	11,157	
Amortisation of intangible assets	(925)	(110)	0	0	0	1,035	
Capital grants and contributions applied	15,473	299	0	0	0	(15,772)	
Revenue expenditure funded from capital under statute	(11,419)	0	0	0	0	11,419	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(8,675)	(903)	0	0	0	9,578	
<u>Insertion of items not debited or credited to the CI&amp;ES:</u>							
Statutory provision for the repayment of debt	9,161	0	0	0	0	(9,161)	
Capital expenditure charged to the General Fund and HRA balances	2,680	256	0	0	0	(2,936)	
HRA loans fund principal contribution for the year	0	876	0	0	0	(876)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the CI&ES	(1,483)	(116)	0	0	1,599	0	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Credits to the Capital Receipts Reserve to repay debt	0	0	(60)	0	0	60	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	2,601	1,818	(4,419)	0	0	0	
Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	0	0	4,524	0	0	(4,524)	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(44)	0	44	0	0	0	
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(907)	0	907	0	0	0	
<b>Balance c/fwd</b>	<b>(37,494)</b>	<b>(7,734)</b>	<b>996</b>	<b>0</b>	<b>1,599</b>	<b>42,633</b>	

Note 6 continued

2012/13 Comparative Figures	Usable Reserves					
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
<b>Balance b/fwd</b>	(37,494)	(7,734)	996	0	1,599	42,633
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	9,914	0	(9,914)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,179	0	(10,179)
<b>Adjustment primarily affecting the Deferred Capital Receipts Reserve:</b>						
Adjustment primarily affecting the Deferred Capital Receipts Reserve	0	0	(587)	0	0	587
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(105)	(71)	0	0	0	176
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CI&ES *	(19,374)	0	0	0	0	19,374
Employers' contributions payable to scheme	12,263	0	0	0	0	(12,263)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the CI&ES is different from that calculated for the year in accordance with statutory requirements	(572)	0	0	0	0	572
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(37)	0	0	0	0	37
<b>Total Adjustments</b>	<b>(45,319)</b>	<b>2,109</b>	<b>409</b>	<b>265</b>	<b>1,599</b>	<b>40,937</b>

\* The Reversal of items relating to retirement benefits debited or credited to the CI&ES has been restated to account for the changes to accounting for Pension costs, further details can be found within the Prior Period Adjustments note on page 24.

Note 6 continued

## **Usable Reserves**

The purpose of each usable reserve is detailed below:

### General Fund Working Balance

These funds are available to meet the future running costs for the Council for non-housing services.

### Housing Revenue Account

This reserve holds funds that are available to meet future running costs relating to the Council's housing stock.

### Capital Receipts Reserve

This reserve holds all of the Council's receipts generated from the disposal of non-current assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt. (A fixed proportion of Housing Capital Receipts must be paid over to the government - as detailed in the accounting policy on disposals).

### Major Repairs Reserve

This reserve is to meet the capital investment requirements of the Council's housing programme.

### Capital Grants Unapplied Account

This reserve is used to hold capital grants without conditions or where conditions have been satisfied, but the grant has yet to be used to finance capital expenditure.

### General Fund Earmarked Balance

These are resources set aside for specific budgetary purposes.

### Specific Revenue Reserves

These are resources that have been set aside for specific future running costs. Further details of the significant reserves within this heading are shown in Note 7.

## 7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13 and 2013/14.

General Fund Specific Revenue Reserves	Balance at 01 April 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000
Schools *	(8,132)	2,488	(2,753)	<b>(8,397)</b>	2,975	(3,276)	<b>(8,698)</b>
Grants unapplied with no conditions	(4,932)	1,293	(163)	<b>(3,802)</b>	265	(138)	<b>(3,675)</b>
Adult Social Care	0	0	(3,575)	<b>(3,575)</b>	712	(547)	<b>(3,410)</b>
Schools Regeneration - Prudential Borrowing	(1,115)	0	(1,115)	<b>(2,230)</b>	0	(1,115)	<b>(3,345)</b>
Business Rates Deficit Reserve	0	0	0	<b>0</b>	0	(3,726)	<b>(3,726)</b>
External Debt Interest	0	0	(1,024)	<b>(1,024)</b>	0	(2,109)	<b>(3,133)</b>
Future Capital Spending	(5,453)	2,248	(15)	<b>(3,220)</b>	1,902	(1,381)	<b>(2,699)</b>
Severance	(3,803)	2,063	(654)	<b>(2,394)</b>	512	(468)	<b>(2,350)</b>
Insurance	(3,049)	1,478	(803)	<b>(2,374)</b>	824	(585)	<b>(2,135)</b>
Recycling Projects	(133)	0	(499)	<b>(632)</b>	0	(1,140)	<b>(1,772)</b>
Budget Strategy	(356)	356	(698)	<b>(698)</b>	698	(1,716)	<b>(1,716)</b>
Unaccompanied Asylum Seeking Children	0	0	(672)	<b>(672)</b>	0	(553)	<b>(1,225)</b>
Street Lighting Services	0	0	(672)	<b>(672)</b>	0	(300)	<b>(972)</b>
New Homes Bonus	(925)	258	(1,012)	<b>(1,679)</b>	809	0	<b>(870)</b>
Solihull Families First	0	0	(313)	<b>(313)</b>	0	(428)	<b>(741)</b>
Policy and Spatial Planning	0	0	(275)	<b>(275)</b>	139	(538)	<b>(674)</b>
Schools Strategic ICT	(338)	0	(330)	<b>(668)</b>	0	0	<b>(668)</b>
Schools Regeneration Fund	(638)	109	(99)	<b>(628)</b>	170	(98)	<b>(556)</b>
Bereavement Services	(700)	306	(141)	<b>(535)</b>	0	(9)	<b>(544)</b>
Recycling Income Risks	(522)	0	0	<b>(522)</b>	0	0	<b>(522)</b>
Resources Directorate	(256)	0	(334)	<b>(590)</b>	124	0	<b>(466)</b>
Property Services - Landlord	(84)	84	(275)	<b>(275)</b>	275	(400)	<b>(400)</b>
Planning Delivery Grant	(496)	84	0	<b>(412)</b>	43	0	<b>(369)</b>
Superfast Broadband Reserve	0	0	0	<b>0</b>	0	(380)	<b>(380)</b>
Winter Maintenance	(357)	0	0	<b>(357)</b>	0	0	<b>(357)</b>
Schools Catering	(267)	0	(145)	<b>(412)</b>	73	0	<b>(339)</b>
Corporate Land and Property	(218)	0	(50)	<b>(268)</b>	0	(50)	<b>(318)</b>
Small Business Units	(249)	0	(30)	<b>(279)</b>	0	(30)	<b>(309)</b>
Economic Development	(293)	0	0	<b>(293)</b>	0	0	<b>(293)</b>
Treasury Management - Icelandic Banks	(1,027)	336	(74)	<b>(765)</b>	542	(40)	<b>(263)</b>
Safer Stronger Communities Fund Pathfinder	(258)	0	0	<b>(258)</b>	0	0	<b>(258)</b>
<b>Sub Total</b>	<b>(33,601)</b>	<b>11,103</b>	<b>(15,721)</b>	<b>(38,219)</b>	<b>10,063</b>	<b>(19,027)</b>	<b>(47,183)</b>
Other	(4,267)	635	(599)	<b>(4,231)</b>	546	(1,155)	<b>(4,840)</b>
<b>Total</b>	<b>(37,868)</b>	<b>11,738</b>	<b>(16,320)</b>	<b>(42,450)</b>	<b>10,609</b>	<b>(20,182)</b>	<b>(52,023)</b>

\* Reserves held by Schools under the delegated local management scheme are legally committed to be spent on the schools themselves and are not available to the Council for general use.

## 8. Movements on Balances for Property, Plant and Equipment in 2013/14

### Comparative Movements in 2012/13

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Certified Valuation at 31 March 2012	285,784	415,190	37,330	112,842	10,790	4,432	<b>866,368</b>	54,418
Accumulated Depreciation and Impairment	0	(26,523)	(18,543)	(24,289)	0	0	<b>(69,355)</b>	(2,201)
<b>Net Book Value of Assets as at 31 March 2012</b>	<b>285,784</b>	<b>388,667</b>	<b>18,787</b>	<b>88,553</b>	<b>10,790</b>	<b>4,432</b>	<b>797,013</b>	<b>52,217</b>
Additions	11,047	6,555	1,418	3,433	487	4,797	<b>27,737</b>	1
Donations & Leases	0	0	4,677	0	0	0	<b>4,677</b>	4,090
Revaluations recognised in the Revaluation Reserve	1,202	(7,414)	0	0	263	0	<b>(5,949)</b>	5,409
Revaluations recognised in the Provision of Services	0	(11,401)	0	0	0	0	<b>(11,401)</b>	0
Disposals	(903)	(7,475)	0	0	0	0	<b>(8,378)</b>	0
Reclassifications	0	1,083	0	38	54	(1,544)	<b>(369)</b>	0
Depreciation on cost	(9,384)	(8,072)	(7,638)	(2,822)	0	0	<b>(27,916)</b>	(3,099)
Depreciation written out to revaluation reserve	(118)	(2,584)	0	0	0	0	<b>(2,702)</b>	(3)
Impairment losses recognised in the revaluation reserve	(1,404)	(582)	0	0	0	0	<b>(1,986)</b>	0
Impairment losses recognised in the Provision of Services	0	(634)	0	0	0	0	<b>(634)</b>	0
<b>Net Book Value of Assets as at 31 March 2013</b>	<b>286,224</b>	<b>358,143</b>	<b>17,244</b>	<b>89,202</b>	<b>11,594</b>	<b>7,685</b>	<b>770,092</b>	<b>58,615</b>

## Movements in 2013/14

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Certified Valuation at 31 March 2013	286,224	384,369	36,467	116,313	11,594	7,685	842,652	66,077
Accumulated Depreciation and Impairment	0	(26,226)	(19,223)	(27,111)	0	0	(72,560)	(7,462)
<b>Net Book Value of Assets as at 31 March 2013</b>	<b>286,224</b>	<b>358,143</b>	<b>17,244</b>	<b>89,202</b>	<b>11,594</b>	<b>7,685</b>	<b>770,092</b>	<b>58,615</b>
Additions	13,257	5,040	1,451	5,233	17	10,310	35,308	0
Donations, Leases & Landfill	0	0	2,370	0	0	0	2,370	2,354
Revaluations recognised in the Revaluation Reserve	2,193	48,388	0	0	(9)	0	50,572	10,640
Revaluations recognised in the Provision of Services	0	(10,739)	0	0	0	0	(10,739)	(229)
Disposals	(1,263)	(931)	0	0	0	0	(2,194)	0
Reclassifications	172	541	72	1,541	79	(2,422)	(17)	0
Depreciation on cost	(9,849)	(7,540)	(8,869)	(2,909)	0	0	(29,167)	(4,942)
Depreciation written out to revaluation reserve	(112)	(5,285)	0	0	0	0	(5,397)	(456)
Impairment losses recognised in the revaluation reserve	0	(460)	0	0	0	0	(460)	0
Impairment losses recognised in the Provision of Services	0	(436)	0	0	0	0	(436)	0
<b>Net Book Value of Assets as at 31 March 2014</b>	<b>290,622</b>	<b>386,721</b>	<b>12,268</b>	<b>93,067</b>	<b>11,681</b>	<b>15,573</b>	<b>809,932</b>	<b>65,982</b>

### Explanations for significant movements:

The increase in the value of Other Land and Buildings at 31 March 2014 compared to 31 March 2013 (£28.578m) is largely due to the upward valuation of school estate assets net of depreciation. Assets under construction has increased in value at 31 March 2014 compared to 31 March 2013 (£7.888m) largely due to Regeneration development £4.523m and HRA new build £2.508m.

## 9. Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 50 - 70 years
- Other Land and Buildings – 25 - 70 years
- Vehicles, Plant, Furniture & Equipment – 5 - 20 years
- Infrastructure – 40 years

## 10. Capital Commitments

As at 31 March 2014, the Council was committed to capital contracts which will cost approximately £13.978m (£19.560m in 2012/13). Major contracts include the following schemes:

	2012/13 £000	2013/14 £000
HRA High Rise Block Programme	440	1,929
HRA Low Rise Block Programme	5,730	1,634
HRA Acquisitions & New Build	623	1,337
HRA Minor Structural Works	901	1,165
HRA Depot	0	1,085
HRA Heating	1,200	1,004
HRA Lifts	460	648
HRA Re-Roofing	0	400
Chelmund's Cross Village Centre	5,082	1,579
Fordbridge & Coleshill Heath New School	367	824
Blythe Valley Innovation Centre air-conditioning	0	550
Coventry, Solihull & Warwickshire broadband	0	468
Shirley Library	0	347
Old Damson Lane Travellers site	0	230
Bishop Wilson New School	3,019	188
Shirley Park improvements	0	159
Smith's Wood Village Centre	205	92
Berry Hall over bridge	0	91
Coombes House demolition	0	71
North Solihull Cycle Route	531	64
Blossomfield Road highway improvement	0	63
Craig Croft temporary GP surgery	57	0
Cheswick Green Primary School extension	89	0
Our Lady of the Wayside RC Primary School extension	359	0
Mildenhall Adult Hostel	309	0
Marston Green Bridge	82	0
A45 South Bridge Replacement	106	0
<b>Total</b>	<b>19,560</b>	<b>13,928</b>

## 11. Revaluations

The freehold and leasehold properties which comprise the Council's portfolio were originally valued as at 31 March 1994, and are re-valued on a rolling programme using the under-mentioned bases. This has been done in accordance with the practice statement in the Appraisal of Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). The valuer is an internal RICS-qualified surveyor, all valuations were carried out internally. Not all the properties were inspected as this was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Since then all fixed assets have been re-valued over a five year rolling programme. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly, and as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year-end. Fair value is determined as the amount that would be paid for the asset in its existing use (existing use value).

Properties regarded as operational were valued on the basis of Fair Value and operational properties of a specialist nature were valued on the basis of Depreciated Replacement Cost (DRC). Council dwellings are on the basis of fair value, determined using the basis of existing use value for social housing. Properties regarded by the Council as non-operational have been valued on the basis of open market value. Should any circumstances arise which would result in a material change to a property's valuation, the Council would prioritise revaluing that asset.

The significant assumptions applied in estimating the fair values are:

- Fair Value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction';
- Fair value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;
- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many cases the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for Fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

The following statement shows the progress of the Council's rolling programme for the revaluation of Non-Current Assets:

2013/14	Valued at	Valued at Current Value				Total
	Historical	2010/11	2011/12	2012/13	2013/14	
	Cost	£000	£000	£000	£000	£000
Council Dwellings	0	0	0	0	290,622	290,622
Other Land and Buildings	1,944	2,698	56,219	75,747	250,113	386,721
Vehicles, Plant and Equipment	12,268	0	0	0	0	12,268
Infrastructure	93,067	0	0	0	0	93,067
Community Assets	11,681	0	0	0	0	11,681
Assets Under Construction	15,573	0	0	0	0	15,573
Heritage Assets	950	0	0	0	0	950
Investment Property	0	0	0	0	84,832	84,832
Intangible Assets	867	0	0	0	0	867
<b>TOTAL</b>	<b>136,350</b>	<b>2,698</b>	<b>56,219</b>	<b>75,747</b>	<b>625,567</b>	<b>896,581</b>



Comparative figures for 2012/13	Valued at Historical Cost £000	Valued at Current Value				Total £000
		2009/10	2010/11	2011/12	2012/13	
		£000	£000	£000	£000	
Council Dwellings	0	0	0	0	286,224	<b>286,224</b>
Other Land and Buildings	1,420	177,002	43,764	56,920	79,037	<b>358,143</b>
Vehicles, Plant and Equipment	17,244	0	0	0	0	<b>17,244</b>
Infrastructure	89,202	0	0	0	0	<b>89,202</b>
Community Assets	11,594	0	0	0	0	<b>11,594</b>
Assets Under Construction	7,685	0	0	0	0	<b>7,685</b>
Heritage Assets	950	0	0	0	0	<b>950</b>
Investment Property	0	0	0	0	79,082	<b>79,082</b>
Intangible Assets	772	0	0	0	0	<b>772</b>
<b>TOTAL</b>	<b>128,867</b>	<b>177,002</b>	<b>43,764</b>	<b>56,920</b>	<b>444,343</b>	<b>850,896</b>

## 12. Non Current Assets Owned by the Council

	31 March 2013	31 March 2014
Car Parks - Multi-Storey	5	<b>5</b>
Car Parks - Surface <sup>1</sup>	22	<b>21</b>
Cemeteries	3	<b>3</b>
Council Dwellings <sup>2</sup>	10,107	<b>10,074</b>
Council Offices	12	<b>12</b>
Crematoria	2	<b>2</b>
Depots	3	<b>3</b>
Highways (Kilometres)	847	<b>850</b>
Land - Strategic Holdings (hectares)	350	<b>349</b>
Library - Central (incl Theatre Complex)	1	<b>1</b>
Libraries - Branches	12	<b>12</b>
Parks and Open Spaces (hectares)	684	<b>684</b>
Retail Properties	48	<b>48</b>
Schools - Primary <sup>3</sup>	44	<b>39</b>
Schools - Secondary	1	<b>1</b>
Schools - Special	5	<b>5</b>
Social Care Establishments <sup>4</sup>	14	<b>13</b>
Corporate Training Centre (was Teachers Centre)	1	<b>1</b>

<sup>1</sup> The car park at Forest Court Dorridge was incorporated into the Sainsburys development during 2013/14.

<sup>2</sup> See note 1 to the Housing Revenue Account (HRA) for further details of Council Dwellings.

<sup>3</sup> A review of legal ownership of individual faith based schools has resulted in a reduction of Primary schools held on the asset register.

<sup>4</sup> Sunhaven Care Home was demolished in 2013/14.

### 13. School Non Current Assets Owned by the Council

As at 31 March 2014, the Council's Balance Sheet recognises 45 school buildings. In accordance with accounting policy school assets are carried on the balance sheet in accordance with the legal ownership of individual schools. Guidance under consultation could change how schools are recorded in the Council's Balance Sheet. The table below details the voluntary controlled, voluntary aided, foundation and academy schools in Solihull, and our current accounting treatment.

	On Balance Sheet	Off Balance Sheet
Community Schools	45	0
Voluntary Controlled	0	1
Voluntary Aided	0	17
Foundation	0	1
Academy	0	17
	45	36

If the voluntary aided schools' land and buildings that are currently off Balance Sheet were to be recorded on the Balance Sheet, based on average value per school, the Balance Sheet value could increase by £88.5m.

### 14. Heritage Assets

Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

#### Reconciliation of the Carrying Value of Heritage Assets held by the Council

	<b>£000</b>
Cost or Valuation as at 1 April 2012	918
Additions	0
Disposals	0
Revaluations	32
Impairment Losses recognised in the Revaluation Reserve	0
Impairment Losses recognised in the Deficit on the Provision of Services	0
Cost or Valuation as at 31 March 2013	950
Cost or Valuation as at 1 April 2013	<b>950</b>
Additions	<b>0</b>
Disposals	<b>0</b>
Revaluations	<b>0</b>
Impairment Losses recognised in the Revaluation Reserve	<b>0</b>
Impairment Losses recognised in the Deficit on the Provision of Services	<b>0</b>
<b>Cost or Valuation as at 31 March 2014</b>	<b>950</b>

The Council's heritage assets are reported in the Balance Sheet at insurance valuation which is based upon market values. These insurance valuations are reviewed annually. The last external revaluation was undertaken by Bonhams in September 2010 and external valuations are undertaken at least every five years.

The Council's heritage assets include a statue; civic regalia; art collections; archive collections; and a war memorial.

## 15. Investment Property

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property but does fund repairs and maintenance with a view to maximising income and proceeds of disposal.

The following table summarises the movement in the fair value of investment property over the year:

2012/13 £000	2013/14 £000
89,887 Balance at start of the year	79,082
0 Additions	562
0 Disposals	(362)
(11,157) Net gains/(losses) from fair value adjustments *	5,618
352 Reclassifications	(68)
<b>79,082 Balance at end of the year</b>	<b>84,832</b>

\* Following research of the latest market evidence at the valuation date of 1 April 2013, the fair value of some of the assets was increased to demonstrate their potential market appeal.

## 16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Council currently has no internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

3 Years            All intangible assets except Oracle Financials  
5 Years            Oracle Financials

The movement on intangible asset balances during the year is as follows:

2012/13 £000	2013/14 £000
Total Software Licences	Total Software Licences
3,285 Certified Valuation at 31 March	1,488
(1,809) Accumulated Amortisation and Impairment	(716)
<b>1,476 Net Book Value of Assets at start of the year</b>	<b>772</b>
331 Purchases	454
0 Reclassifications	79
(1,035) Amortisation	(438)
<b>772 Net Book Value of Assets at end of the year</b>	<b>867</b>

The carrying amount of intangible assets is amortised on a straight line basis. Amortisation of £0.058m (2012/13 £0.378m) was charged to Children's and Education services and £0.216m (2012/13 £0.495m) was charged to ICT and absorbed as an overhead across all the service headings in the Net Cost of Services within the CI&ES. £0.164m (2012/13 £0.162m) was charged directly to other services.

**17. Financial Instruments - Summary**

The following categories of financial instruments are carried in the Balance Sheet:-

	Long-Term		Short Term	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
<b>Investments</b>				
Loans and receivables <sup>1</sup>	415	35	12,110	23,956
Available-for-sale financial assets:				
- No active market: valuation <sup>2</sup>	18,614	40,747	0	0
- No active market: equity instruments	178	203	0	0
Financial assets at fair value through profit and loss <sup>3</sup>	15,000	2,188	129	35
<b>Total investments</b>	<b>34,207</b>	<b>43,173</b>	<b>12,239</b>	<b>23,991</b>
<b>Receivables</b>				
Debtors <sup>4</sup>	1,550	1,756	14,447	18,010
Payment in advance <sup>4</sup>	0	0	2,901	4,193
<b>Total debtors</b>	<b>1,550</b>	<b>1,756</b>	<b>17,348</b>	<b>22,203</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost <sup>5</sup>	(227,822)	(227,485)	(10,991)	(16,449)
<b>Total borrowings</b>	<b>(227,822)</b>	<b>(227,485)</b>	<b>(10,991)</b>	<b>(16,449)</b>
<b>Other Long Term Liabilities</b>				
PFI liabilities and similar contracts	(62,319)	(59,844)	(2,745)	(2,544)
Finance lease liabilities	(3,913)	(3,808)	(123)	(120)
<b>Total other long term liabilities</b>	<b>(66,232)</b>	<b>(63,652)</b>	<b>(2,868)</b>	<b>(2,664)</b>
<b>Payables</b>				
Creditors <sup>4</sup>	(57)	0	(27,672)	(24,712)
Receipts in advance <sup>4</sup>	0	0	(1,708)	(4,674)
<b>Total creditors</b>	<b>(57)</b>	<b>0</b>	<b>(29,380)</b>	<b>(29,386)</b>

<sup>1</sup> Short term loans and receivables amounts include cash and cash equivalents of £6.040m (£2.551m in 2012/13), which are shown separately to investments in the Balance Sheet.

<sup>2</sup> The available for sale financial assets: no active market- valuation includes an increase in the value of the Council's shareholding in the Coventry and Solihull Waste Disposal Company Ltd of £23.333m, refer to note 19a for further detail.

<sup>3</sup> The reduction in financial assets at fair value through profit and loss is due to the Council's decision to divest funds from its external fund manager. The impact of this is a subsequent increase in short term loans and receivables.

<sup>4</sup> Debtors, creditors, payments in advance and receipts in advance in the above table include only those balances which are due under a contractual arrangement, as per the CIPFA Code of Practice, and therefore will differ to the figures in the Balance Sheet.

<sup>5</sup> The short term borrowings figures in the above table incorporate the bank overdraft and short term borrowing figures in the Balance Sheet.

## 18. Soft Loans made by the Council

Soft Loans are low interest or interest free loans advanced by the Council.

The Council has made a number of loans made under the Chronically Sick and Disabled Persons Act 1970 for adaptations to properties. The majority of these loans are interest free and consequently classified as soft loans.

	2012/13 £000	2013/14 £000
<b>Balance at start of year:</b>		
Opening balance	67	61
Loans repaid	(2)	(3)
(Increase)/ Decrease in discounted amount	(4)	1
<b>Closing balance at end of year</b>	<b>61</b>	<b>59</b>

### Valuation Assumptions

The interest rate at which the fair value of these soft loans has been made is the Council's prevailing cost of borrowing (4.99%). As the majority of loans are secured on the clients' property no additional allowance has been included against the risk that the loan might not be repaid.

## 19. Available-for-sale financial assets

### a. No active market (Valuation)

	31 March 2013 £000	31 March 2014 £000
Birmingham Airport Holdings Ltd		
- Ordinary Shares	13,660	13,660
- Preference Shares	1,179	1,179
Coventry & Solihull Waste Disposal Company Ltd		
- Ordinary Shares	0	23,333
- Preference Shares	3,775	2,575
<b>Total</b>	<b>18,614</b>	<b>40,747</b>

### **Birmingham Airport Holdings Ltd (BAH)**

The main ordinary shareholders of BAH are the seven West Midlands Metropolitan Councils. Together they own 49% of BAH's 324 million ordinary shares of 1p each, with Solihull Council holding 3.75% of total shares issued. These shares are not quoted on any Stock Exchange.

Airport Group International Ltd (AGIL) a company owned by Ontario Teachers' Pension Plan own 48.25% of the ordinary shares. The remaining shares (2.75%) are held by the Employees' Share Trust. The Shareholders' Agreement provides for the Metropolitan Councils to cast their 49% vote at company Main Board and General Meetings in one block. The vote of 75% of ordinary shareholders is required for certain major decisions of the company.

The Metropolitan Councils together own all £15.400m of BAH's 6.31% preference shares (Solihull Council owns £1.179m) which are cumulative and redeemable.

In line with the accounting policy on the valuation of assets, a full valuation will be required for the Council's ordinary shareholding investment in Birmingham Airport shares every five years. In the meantime an annual desktop exercise will be required to assess whether there has been a material change in the valuation. The review of the valuation undertaken in July 2014 concluded that there had been no material increase in the valuation of either the ordinary or preference shares.

BAH was incorporated on 4 February 1997 and commenced trading on 26 March 1997. The BAH Group accounts incorporate Birmingham International Airport Ltd, Euro Hub (Birmingham) Ltd, Birmingham Airport Developments Ltd, First Castle Developments Ltd, Birmingham Airport (Finance) plc and BHX Fire and Rescue Ltd. The principal activity of the Group is the operation and management of Birmingham International Airport and the provision of facilities and services associated with those operations. During this year the Council received dividends of £3.204m and ground rent of £0.056m (2012/13: £0.444m and £0.054m respectively).

A copy of the BAH's accounts is available from:

The Company Secretary  
Birmingham Airport Holdings Ltd  
Birmingham International Airport  
Birmingham B26 3QJ

### **Coventry & Solihull Waste Disposal Company Ltd**

In accordance with directives received from the government exercising powers under the Environmental Protection Act 1990, Solihull Council, in conjunction with Coventry City Council, set up a wholly owned company for the disposal of waste arising from the two Authorities. The company was in the ownership of Coventry City Council from formation in 1975 until the assets were vested into the limited company in 1994

The Company was vested on 31 March 1994 with a total share capital of £14.925m made up of 99 £1 Ordinary Shares and 14,925,000 £1 Preference Shares. In both 2012/13 and 2013/14 3,600,000 of these Preference Shares were redeemed, of which 1,200,000 were for Solihull Council, resulting in a capital receipt of £1.200m to the Council in each year. Dividend income of £0.470m (2012/13: £0.450m) was also received in 2013/14.

Solihull has one third ownership of all shares issued (£2.575m) with Coventry owning the remaining two thirds, and the Councils benefit from any surpluses made and will contribute to any liabilities or losses the company cannot meet. These shares are not quoted on any Stock Exchange.

The valuation exercise undertaken for this year's Accounting Statement has now been completed; this has resulted in an increase in the valuation of the Council's ordinary shares of £23.333m.

A copy of the Company's accounts is available from:

The Company Secretary  
Coventry & Solihull Waste Disposal Company Ltd  
Bar Road  
Coventry  
CV3 4AN

**b. No active market (Equity Instruments)**

	31 March 2013	<b>31 March 2014</b>
	£000	<b>£000</b>
Blythe Valley Innovation Centre Ltd - Ordinary Shares	178	<b>203</b>
<b>Total</b>	<b>178</b>	<b>203</b>

**Blythe Valley Innovation Centre Ltd**

On 31 March 2000 the Council acquired Ordinary 'A' shares in Blythe Valley Innovation Centre Ltd in exchange for waiving an option to acquire land at the Blythe Valley Business Park. These shares represented 25% of total shares issued, but 50% of the voting rights.

The remaining Ordinary 'B' shares (75% of total shares issued) were purchased by the Council in July 2013 from Blythe Valley JV Sarl, at a cost of £0.025m. At this time the Council also reimbursed Blythe Valley Sarl for loans owed by Blythe Valley Innovation Centre Ltd amounting to £0.081m, these loan amounts are included within the Council's financial assets.

Blythe Valley Innovation Centre Ltd has therefore been 100% owned by the Council since July 2013 and as such is consolidated in full into the Council's Group Accounts (from page 121 onwards).

The Council's investment in the company is held within these single entity accounts at cost, made up of the purchase price of both the acquisitions when they took place in 2000 and 2013. This valuation does differ from that of the Group Accounts which are taken from the accounts of BVIC, however as a decision was made by Full Cabinet in April 2014 that the Council will be bringing the Innovation Centre operations back within the direct ownership of the Council rather than as a separate legal entity then it is our view that a fair value valuation of the Council's investment would not give rise to a material change in the valuation in the Council's single entity accounts.

The Innovation Centre, which was completed in 2001, is managed by University of Warwick Science Park Ltd and the principal activity is to provide medium term accommodation (up to three years) to organisations setting up innovative projects. The Company aims to make a profit through the charging of commercial rent.

A copy of the Company's accounts is available from:

The Company Secretary  
Blythe Valley Innovation Centre Ltd  
Council House  
Manor Square  
Solihull  
B91 3QB

## 20. Gains and Losses recognised in the Comprehensive Income & Expenditure Statement

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments for 2013/14 and 2012/13 are made up as follows :

	2013/14				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at fair value through CI&ES £000	
Interest expense	16,256	0	0	0	<b>16,256</b>
Total expense in Deficit on the Provision of Services	16,256	0	0	0	<b>16,256</b>
Total interest and Other investment income in Deficit on the Provision for Services	0	(366)	(3,730)	(34)	<b>(4,130)</b>
Surplus arising on revaluation of financial assets in Other CI&ES	0	0	(23,333)	0	<b>(23,333)</b>
<b>Net gain/(loss) for the year on Financial Instruments</b>	<b>16,256</b>	<b>(366)</b>	<b>(27,063)</b>	<b>(34)</b>	<b>(11,207)</b>

	2012/13				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at fair value through CI&ES £000	
Interest expense	16,523	0	0	0	<b>16,523</b>
Total expense in Deficit on the Provision of Services	16,523	0	0	0	<b>16,523</b>
Total interest and Other investment income in Deficit on the Provision for Services	0	(789)	(498)	(159)	<b>(1,446)</b>
Surplus arising on revaluation of financial assets in Other CI&ES	0	0	0	0	<b>0</b>
<b>Net gain/(loss) for the year on Financial Instruments</b>	<b>16,523</b>	<b>(789)</b>	<b>(498)</b>	<b>(159)</b>	<b>15,077</b>



## 21. Fair values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the PWLB premature repayment rates as at each Balance Sheet date, and include accrued interest;
- The fair values for non-PWLB debt have also been calculated using the same procedures and estimated market rates and this provides a sound approximation for fair value for these instruments;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of the financial liabilities calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value <sup>1</sup> £000
PWLB	(182,266)	(227,568)	<b>(182,266)</b>	<b>(215,052)</b>
Dudley MBC debt <sup>2</sup>	(9,436)	(12,173)	<b>(8,995)</b>	<b>(10,466)</b>
Walsall MBC debt	(789)	(1,017)	<b>(750)</b>	<b>(873)</b>
Other long term loans <sup>3</sup>	(35,331)	(37,183)	<b>(35,474)</b>	<b>(35,726)</b>
<b>Long term borrowing</b>	<b>(227,822)</b>	<b>(277,941)</b>	<b>(227,485)</b>	<b>(262,117)</b>
PWLB	(4,310)	(4,523)	<b>(1,186)</b>	<b>(1,185)</b>
Dudley MBC debt <sup>2</sup>	(401)	(518)	<b>(441)</b>	<b>(513)</b>
Walsall MBC debt	(36)	(46)	<b>(39)</b>	<b>(45)</b>
Other short term loans <sup>3</sup>	(321)	(322)	<b>(6,676)</b>	<b>(6,675)</b>
<b>Short term borrowing</b>	<b>(5,068)</b>	<b>(5,409)</b>	<b>(8,342)</b>	<b>(8,418)</b>
PFI Liabilities and similar contracts	(62,319)	(62,319)	<b>(59,844)</b>	<b>(59,844)</b>
Finance Lease Liabilities	(3,913)	(7,705)	<b>(3,808)</b>	<b>(3,808)</b>
<b>Other Long term liabilities</b>	<b>(66,232)</b>	<b>(70,024)</b>	<b>(63,652)</b>	<b>(63,652)</b>
Long term creditors	(57)	(57)	<b>0</b>	<b>0</b>
<b>Long term liabilities</b>	<b>(66,289)</b>	<b>(70,081)</b>	<b>(63,652)</b>	<b>(63,652)</b>
Bank Overdraft	(5,923)	(5,923)	<b>(8,107)</b>	<b>(8,107)</b>
Short term creditors <sup>4</sup>	(30,540)	(30,540)	<b>(27,376)</b>	<b>(27,376)</b>
Receipts in advance <sup>4</sup>	(1,708)	(1,708)	<b>(4,674)</b>	<b>(4,674)</b>
<b>Short term liabilities</b>	<b>(38,171)</b>	<b>(38,171)</b>	<b>(40,157)</b>	<b>(40,157)</b>
<b>Total financial liabilities</b>	<b>(337,350)</b>	<b>(391,602)</b>	<b>(339,636)</b>	<b>(374,344)</b>

<sup>1</sup> The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

<sup>2</sup> Dudley MBC debt relates to the residual debt liabilities of the West Midlands County Council, managed through the West Midlands Debt Administration Fund (WMDAF), all borrowing within this fund matures by 2026.

<sup>3</sup> Other loans are a mixture of fixed and variable rate LOBO (Lender Option, Borrower Option) loans. These loans were taken out to take the opportunity of enjoying advantageous borrowing rates over that offered by the PWLB at that time, and also to mitigate refinancing risk.

<sup>4</sup> Short term Creditors and Receipts in Advance in the above table include only those balances which are due under a contractual arrangement, as per the CIPFA Code of Practice, and therefore will differ to the figures in the Balance Sheet.

The fair values of the financial assets calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Money market loans (greater than 1 year)	415	415	35	35
Externally managed funds (greater than 1 year)	15,000	15,000	2,188	2,170
Available-for-sale financial assets:				
- No active market: valuation	18,614	18,614	40,747	40,747
- No active market: equity instruments	178	178	203	203
<b>Long term investments</b>	<b>34,207</b>	<b>34,207</b>	<b>43,173</b>	<b>43,155</b>
<b>Cash Equivalents</b>	<b>2,551</b>	<b>2,551</b>	<b>6,040</b>	<b>6,040</b>
Money market loans (less than 1 year)	9,484	9,025	11,286	11,286
Externally managed funds (less than 1 year)	0	0	6,451	6,451
Insurance Liability Fund	204	204	214	214
<b>Short term investments</b>	<b>9,688</b>	<b>9,229</b>	<b>17,951</b>	<b>17,951</b>
Long term debtors	1,550	1,550	1,756	1,756
<b>Long term debtors</b>	<b>1,550</b>	<b>1,550</b>	<b>1,756</b>	<b>1,756</b>
Short term debtors *	14,447	14,447	18,010	18,010
Payments in advance *	2,901	2,901	4,193	4,193
<b>Short term debtors</b>	<b>17,348</b>	<b>17,348</b>	<b>22,203</b>	<b>22,203</b>
<b>Total financial assets</b>	<b>65,344</b>	<b>64,885</b>	<b>91,123</b>	<b>91,105</b>

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on independent external valuations.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

\* Short term Debtors and Payments in Advance in the above table include only those balances which are due under a contractual arrangement, as per the CIPFA Code of Practice, and therefore will differ to the figures in the Balance Sheet.

## 22. Nature and extent of risks arising from Financial Instruments

### a. Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

### b. Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported bi-annually to Members.

These policies are implemented by a central treasury management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### c. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with the Fitch, Moody's and Standard & Poor's credit rating services. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution.

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria.

An aged debt analysis of trade debtors is as follows:

	31 March 2013 £000	<b>31 March 2014 £000</b>
Less than three months	6,308	<b>7,585</b>
Three to six months	608	<b>189</b>
Six months to one year	178	<b>141</b>
More than one year	1,653	<b>1,409</b>
<b>Total trade debtors *</b>	<b>8,747</b>	<b>9,324</b>

\* £9.324m (2012/13: £8.747m) is the trade debt element of the total Short Term Debtors balance on our Balance Sheet. As trade debtors are held on our Accounts Receivable system they can be analysed in detail by age as shown above.

#### **d. Liquidity Risk**

The Council manages its liquidity position through the risk management procedures detailed in Note 22b (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, the longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the treasury management team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the Council's liabilities at original cost is as follows:

	31 March 2013 £000	<b>31 March 2014 £000</b>
Less than 1 year	3,437	<b>6,984</b>
Between 1 and 2 years	480	<b>532</b>
Between 2 and 5 years	1,750	<b>1,939</b>
Between 5 and 10 years	8,296	<b>8,765</b>
Between 10 and 20 years	11,700	<b>10,501</b>
Between 20 and 30 years	29,700	<b>29,700</b>
Between 30 and 40 years	38,000	<b>48,000</b>
Between 40 and 50 years	132,566	<b>122,566</b>
More than 50 years	5,000	<b>5,000</b>
<b>Total</b>	<b>230,929</b>	<b>233,987</b>

All trade and other payables are due to be paid in less than one year.

The figures included in the above table are based on the principal amounts borrowed and will differ from the total borrowing in the Balance Sheet because of the requirement to include accrued interest within current liabilities in the Balance Sheet.

#### **e. Market Risk (Interest Rate Risk)**

The Council is exposed to interest rate movements on its borrowings and investments. Of the £234m debt held as at 31 March 2014, £35m was at variable interest rates and £199m was at fixed interest rates. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the CI&ES would rise;
- borrowings at fixed rates – the fair value of the borrowing liability would fall;
- investments at variable rates – the interest income credited to the CI&ES would rise;
- investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from government grants. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income & Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a treasury indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury management team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher or lower during 2012/13 and 2013/14 (with all other variables held constant) the financial effect would be:

	Increase of 1% in interest rates 2012/13 £000	Decrease of 1% in interest rates 2012/13 £000	<b>Increase of 1% in interest rates 2013/14 £000</b>	<b>Decrease of 1% in interest rates 2013/14 £000</b>
Increase/(decrease) in interest payable on variable rate borrowings	200	(200)	<b>200</b>	<b>(200)</b>
(Increase)/decrease in interest receivable on variable rate investments	(553)	553	<b>(587)</b>	<b>587</b>
(Increase)/decrease in government grant receivable for financing costs	0	0	<b>0</b>	<b>0</b>
Impact on deficit on Provision of Services in CI&ES	(353)	353	<b>(387)</b>	<b>387</b>

These assumptions are based on the same methodology as used in Note 21 - Fair value of Assets and Liabilities.

#### f. Price Risk

The shares held in Birmingham Airport Holdings Ltd are all classified as 'available-for-sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income & Expenditure.

#### g. Foreign Exchange Risk in relation to Icelandic Deposits

The Council has foreign exchange rate exposure resulting from the settlement received from Glitnir Bank. This is currently being held in Icelandic Kroner in an escrow account due to the imposition of currency controls.

#### h. Icelandic Bank Investments

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration. The Council had £3.000m deposited across three of these institutions, with varying maturity dates and interest rates.

Investments included in the assets figure in the Balance Sheet include the following investments that have been impaired:

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Carrying Amount in Balance Sheet £000
Glitnir	07/12/2007	05/12/2008	1,000	6.29%	221
Landsbanki Bank	31/03/2007	31/03/2009	1,000	5.90%	0
Kaupthing Singer Friedlander Bank	02/04/2008	31/03/2009	1,000	6.40%	42
<b>Total</b>			<b>3,000</b>		<b>263</b>

The net reduction in impairment (principal plus interest received) recognised in the CI&ES in 2013/14 of £0.008m has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate, and repayments received to date.

A reserve created from the Treasury Management surplus in 2008/09 protects against any potential loss of the principal sums invested. The reserve was originally £3.000m but following repayments of principal and interest a total of £2.623m of the reserve has been released towards the Council's budget strategy since 2010/11. The reserve has been impaired by £0.114m to reflect amounts deemed irrecoverable by administrators and to recognise the effect of the sale of Landsbanki debt.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

#### **Kaupthing Singer and Friedlander Ltd**

The creditor progress report issued by the administrators Ernst and Young in October 2013 outlined that the return to creditors was estimated within the range of 85p to 86.5p in the pound but no timescale was indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose.

This reflects a small improvement from the position reported as at 31st March 2013, where the estimated recovery was 84p to 86.5p in the pound.

Repayments of £0.842m (81.5%) have been received up to 31 March 2014. The repayments are treated as a reduction in the value of the short-term investment on the Balance Sheet. The impairment is based on the assumption that a further 4.25% will be received by the end of 2015/16, taking total dividends expected to 85.75%.

In calculating the impairment, the Council has made the following assumptions on the timing of future recoveries.

Date	Repayment
June 2014	2.25%
June 2015	2.00%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 7 October 2008.

**Landsbanki**

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Landsbanki). Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the Winding Up Board made a distribution to creditors in a basket of currencies in February 2012. Further distributions were issued in May and October 2012, and September 2013.

In January 2014, the Council sold the remainder of its Landsbanki claim, including the amounts that were previously held in an escrow account. By selling its claim, the Council was able to recover 96% of the original principal invested. Therefore, no further distributions will be received in relation to this claim.

**Glitnir Bank**

Glitnir Bank is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir). Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the Winding Up Board made a distribution to creditors in a basket of currencies in March 2012. An element of the distribution is in Icelandic Kroner, which has been placed in an escrow account and is earning interest at 4.20%. This element of the distribution has been retained in Iceland, as part of currency controls imposed by the Central Bank of Iceland, and as a result is subject to exchange rate risk over which the Council has no control. The distribution has been made in full, representing 100% of the claim; however 19% remains on the balance sheet as it cannot currently be repatriated.



**23. Inventories**

31 March 2013 £000		Purchased £000	Write offs £000	Used £000	31 March 2014 £000
297	Consumable Stores	1,640	(196)	(1,406)	335
59	Maintenance Materials	84	0	(39)	104
28	Client Services	299	0	(277)	50
95	Catering	2,662	(1)	(2,642)	114
<b>479</b>	<b>Total</b>	<b>4,685</b>	<b>(197)</b>	<b>(4,364)</b>	<b>603</b>

**24. Short Term Debtors (less than one year)**

31 March 2013 £000			31 March 2014 £000
4,312	Central government bodies		6,707
2,623	Other local authorities		1,226
3,468	NHS bodies		2,784
76	Public corporations and trading funds		765
15,944	Other entities and individuals	22,308	
(6,668)	Bad Debt Provision	(7,653)	
	Other entities and individuals (net of Bad Debt Provision)		14,655
<b>19,755</b>	<b>Total</b>		<b>26,137</b>

**25. Long Term Debtors (greater than one year)**

31 March 2013 £000			31 March 2014 £000
6	Mortgages	5	
193	Transferred Debt	160	
2,056	Other Long Term Debtors	2,296	
<b>2,255</b>	<b>Gross Debtors</b>		2,461
(705)	Less Provision for Bad Debts		(705)
<b>1,550</b>	<b>Total</b>		<b>1,756</b>

**26. Cash and Cash Equivalents (including Bank Overdraft)**

The balance of Cash and Cash Equivalents (including Bank Overdraft) is made up of the following elements:

31 March 2013 £000			31 March 2014 £000
40	Cash floats held by the Council	38	
2,511	Cash Equivalents	6,002	
<b>2,551</b>	<b>Cash and cash equivalents</b>		6,040
(5,923)	Bank Overdraft		(8,107)
<b>(3,372)</b>	<b>Total</b>		<b>(2,067)</b>

**27. Payments in Advance**

31 March 2013		31 March 2014
£000		£000
1,736	Coventry & Solihull Waste Disposal Company	1,800
1,165	Other Payments in Advance	2,393
<b>2,901</b>	<b>Total</b>	<b>4,193</b>

**28. Carbon Allowances**

31 March 2013		31 March 2014
£000		£000
0	Balance at 1 April	53
336	Allowances purchased in year	262
(283)	Allowances surrendered in year	(315)
<b>53</b>	<b>Balance held at 31 March</b>	<b>0</b>

**29. Short Term Creditors (less than one year)**

31 March 2013		31 March 2014
£000		£000
(5,981)	Central government bodies *	(1,947)
(4,920)	Other local authorities	(1,947)
(880)	NHS bodies	(2,084)
(14)	Public corporations and trading funds	0
(30,364)	Other entities and individuals	(28,236)
<b>(42,159)</b>	<b>Total</b>	<b>(34,214)</b>

\* Non-domestic rates receipts in advance are now included within the Receipts in Advance note 31 (2012/13: £2.128m)

**30. Long Term Creditors (greater than one year)**

31 March 2013		31 March 2014
£000		£000
(57)	Energy efficiency creditor	0
<b>(57)</b>	<b>Total</b>	<b>0</b>

**31. Receipts in Advance**

31 March 2013		31 March 2014
£000		£000
(4,633)	Central government bodies	(5,157)
(64)	Other local authorities	(42)
(56)	NHS bodies	(2)
0	Public corporations and trading funds	(2)
(3,170)	Council tax payers	(3,739)
0	Non-domestic rates *	(2,167)
(1,589)	Other receipts in advance	(2,770)
<b>(9,512)</b>	<b>Total</b>	<b>(13,879)</b>

\* Non-domestic rates receipts in advance were previously included within Short Term Creditors note 29 (2012/13: £2.128m)

### 32. Provisions

	Insurance £000	Business Rates Appeals £000	Hospital Education £000	Carbon Reduction Commitment £000	Independent School fees £000	Extra District fees £000	Closed Landfill Sites £000	Total £000
Balance at 1 April 2013	(2,999)	0	(54)	(327)	(78)	(702)	(264)	<b>(4,424)</b>
Additional provisions made in 2013/14	0	(1,548)	0	(286)	0	0	0	<b>(1,834)</b>
Amounts used in 2013/14	395	0	54	327	78	702	9	<b>1,565</b>
<b>Balance at 31 March 2014</b>	<b>(2,604)</b>	<b>(1,548)</b>	<b>0</b>	<b>(286)</b>	<b>0</b>	<b>0</b>	<b>(255)</b>	<b>(4,693)</b>
<b>Likely Year of Defrayment</b>								
2014/15	606	956	0	286	0	0	9	<b>1,857</b>
<b>Total Short Term</b>	<b>606</b>	<b>956</b>	<b>0</b>	<b>286</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>1,857</b>
2015/16	798	592	0	0	0	0	9	<b>1,399</b>
2016/17	530	0	0	0	0	0	9	<b>539</b>
2017/18	400	0	0	0	0	0	9	<b>409</b>
2018/19	200	0	0	0	0	0	9	<b>209</b>
2019/20	70	0	0	0	0	0	9	<b>79</b>
2020/21 - 2042/43	0	0	0	0	0	0	201	<b>201</b>
<b>Total Long Term</b>	<b>1,998</b>	<b>592</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>246</b>	<b>2,836</b>
<b>Total Defrayment</b>	<b>2,604</b>	<b>1,548</b>	<b>0</b>	<b>286</b>	<b>0</b>	<b>0</b>	<b>255</b>	<b>4,693</b>

## 32. Provisions (continued)

### Insurance Provision

The insurance provision has been set aside to bear costs to be incurred in respect of self insurance risks which are not covered by the Council's external insurance policies. Known claims are classed as provisions, those that are potential claims are held as a reserve. An allowance is made for an element of self funding by the Council in respect of policies for Public Liability, Employers' Liability, Officials' Indemnity and Libel and Slander. The insurance provision also includes an 'Asset Funds' provision for the 'deductibles' payable on fire claims and theft of property from the Council's buildings as well as for damage caused to the Council's motor fleet. The Council has determined as part of the self funding strategy that it will not be insured for 'All Risks' in respect of contents of Council properties with the exception of schools, which can make their own arrangements.

A scheme of arrangement put in place by the administrators of our previous insurance company, Municipal Mutual Insurance, was triggered in November 2012. This allows payments made on the Council's behalf since October 1993 to be reclaimed by the administrator. An initial payment of the levy was paid in February 2014 for £320,000 which also includes the residual liability of the former West Midlands County Council. This represented 15% of claims paid. The insurance provision does include a further amount to cover the Council's future expected liabilities under this arrangement.

### Business Rates Appeals Provision

On 1 April 2013 local authorities assumed the liability for refunding business rate payers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts in respect of 2013/14 and prior years. A provision has been created in 2013/14 to meet this liability, based on the latest position on appeals lodged as at 31 March 2014 and the best estimate of the expenditure that will be required to settle the successful appeals. The Council's share of the provision is 49%, in line with the Council's proportionate share of business rates income receivable.

It was announced in the 2013 Autumn Statement that the government would aim to settle 95% of appeals outstanding as at September 2013, by July 2015, therefore the provision has been apportioned over short term and long term on this basis.

### Carbon Reduction Commitment

In 2014/15 the Council will have to purchase allowances as a result of mandatory participation in the Government's Carbon Reduction Commitment Energy Efficiency scheme (CRCEES). The quantity of allowances that will be purchased is dependent on the amount of energy used in properties that the Council occupies during 2013/14. In line with the recommended treatment by CIPFA a provision for this cost has been made in the 2013/14 accounts based on the energy used in 2012/13.

### Closed Landfill Site Provision

In 2012/13 the Council created a new capital provision under IAS 37 to meet the after care costs of a closed landfill site. These costs have been estimated on the basis of the Landfill management plan. It is estimated that this provision will be required for a further period of 28 years. The adequacy of the provision will be reviewed on a regular basis over the period it is required.

### Bad Debt Provision

The Council has provided £8.358m for potential bad debts (£7.373m at 31 March 2013). This is not shown in the provisions note as £7.653m is adjusted for against Short Term Debtors (Note 24), and £0.705m against Long Term Debtors (Note 25).

### 33. Trading Operations

There are a number of areas within the Council which undertake trading with third parties. During 2013/14 a review of Trading Operations was undertaken and reported to the Council's Audit Committee in February 2014. None of the Council's trading operations were considered to be significant enough to require separate disclosure within the Accounting Statement. All of these operations form integral parts of the total cost of the whole service and do not produce separate trading accounts.

The costs and income for each area of trading is included within the overall cost of services within the CI&ES.

### 34. Pooled Budgets

The Council has established partnership agreements with Solihull Clinical Commissioning Group (CCG), formerly Solihull NHS Care Trust, using powers under Section 31 of the Health Act 1999 to create single 'pooled budgets' within an integrated service. Known as Section 31 Agreements, they are intended to provide a more joined up service for users:

	2012/13 £000	2013/14 £000
<b>Funding</b>		
Solihull NHS Care Trust / Solihull CCG	(3,545)	(4,014)
Solihull Metropolitan Borough Council	(3,502)	(3,070)
Other Income	(809)	(1,084)
<b>Total Funding</b>	<b>(7,856)</b>	<b>(8,168)</b>
<b>Spending</b>		
Transforming Community Services <sup>1</sup>	6,258	6,820
Locally Determined Resources Plan <sup>2</sup>	1,410	1,348
Joint Director of Public Health and Protection <sup>3</sup>	164	0
Meadow Centre <sup>4</sup>	24	0
<b>Total Spending for period</b>	<b>7,856</b>	<b>8,168</b>

<sup>1</sup> From 1 April 2011 responsibility for the provision of Community Equipment Stores, Wheelchair Services and a number of small residential homes transferred from Solihull Care Trust to Solihull MBC, under Transforming Community Services arrangements. This involved the creation of a pooled budget to jointly fund the health and social care elements of integrated residential services for clients with learning disabilities, and the Joint Equipment Store. The pooled budget is hosted and managed by the Council, under the governance of a Joint Commissioning Board.

<sup>2</sup> The Locally Determined Resources Plan was developed to jointly support integrated health and social care services in Solihull, and to ensure the best use is made of combined resources to promote health and wellbeing and good quality care.

<sup>3</sup> The post of Director of Public Health and Protection (previously Joint Director) is now wholly funded by SMBC resources and is therefore no longer treated as a pooled budget.

<sup>4</sup> A contribution to the costs of running the Meadow Centre is now expected to be received from Heart of England Foundation NHS Trust rather than Solihull CCG. This is no longer being treated as a pooled budget contribution.

### 35. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

### 36. Unusable Reserves

#### a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000		2013/14 £000	£000
(116,458)	<b>Balance at 1 April</b>		(103,966)
(9,245)	Upward revaluation of assets	(61,370)	
17,148	Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services in the CI&ES	11,257	
			(50,113)
2,702	Difference between fair value depreciation and historical cost depreciation		5,397
1,887	Disposals and transfers to Investment Property		85
<b>(103,966)</b>	<b>Balance at 31 March</b>		<b>(148,597)</b>

#### b. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2012/13 £000		2013/14 £000	£000
(9,686)	<b>Balance at 1 April</b>		(9,686)
0	Upward revaluation of investments	(23,333)	
0	Downward revaluation of investments not charged to the Deficit on the Provision of Services in the CI&ES	0	
(9,686)			(23,333)
0	Accumulated gains on assets sold and maturing assets written out to the CI&ES as part of Other Investment Income		0
<b>(9,686)</b>	<b>Balance at 31 March</b>		<b>(33,019)</b>

### c. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2012/13 £000		2013/14 £000	£000
(393,235)	<b>Balance at 1 April</b>		(366,245)
	<b>Reversal of items relating to capital expenditure debited or credited to the CI&amp;ES:</b>		
30,618	Charges for depreciation on non current assets	34,564	
634	Charges for impairment on non current assets	436	
11,401	Revaluation Loss on Property, Plant and Equipment	10,739	
1,035	Amortisation of Intangible Fixed Assets	438	
11,419	Revenue expenditure funded from capital under statute	7,112	
9,578	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the CI&ES	3,757	
64,685			57,046
	<b>Adjusting amounts written out of the Revaluation Reserve</b>		
(2,702)	- Write down of the Revaluation Reserve - Depreciation	(5,397)	
(1,880)	- Write down of the Revaluation Reserve - Disposals	(85)	
(7)	- Write down of the Revaluation Reserve - Transfer to Investment Property	0	
(4,589)	Net amount written out of the cost of non-current assets consumed in the year		(5,482)
	<b>Capital Financing applied in the year:</b>		
(4,524)	- Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	(2,424)	
(10,179)	- Use of the Major Repairs Reserve to finance new capital expenditure	(9,633)	
(15,772)	- Use of Capital Grants and Contributions credited to the CI&ES	(15,878)	
(2,936)	- Capital expenditure funded from revenue and reserves	(5,133)	
(10,037)	- Statutory provision for the repayment of debt	(10,761)	
(43,448)			(43,829)
	<b>Other Movements</b>		
11,157	Movements in the market value of investment properties debited or credited to the CI&ES	(5,618)	
0	Blythe Valley Loan - Reinstatement	(66)	
(875)	Removal of Liability re Disposal of Leased Assets	(1,750)	
33	Transferred Debt	32	
27	Loan Repayment	28	
10,342			(7,374)
(366,245)	<b>Balance at 31 March</b>		(365,884)

**d. Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CI&ES when they are incurred, but reversed out of the General Fund Balance to the Account in the MIRS. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over future financial years.

2012/13 £000	2013/14 £000	£000
(780) <b>Balance at 1 April</b>		<b>(604)</b>
177 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	<b>173</b>	
(5) Interest on stepped LOBOs credited to the CI&ES	<b>(5)</b>	
4 Interest on soft loans (credited)/ debited to the CI&ES	<b>(1)</b>	
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements		<b>167</b>
<b>(604) Balance at 31 March</b>		<b>(437)</b>

**e. Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13 Restated * £000	2013/14 £000	£000
168,394 <b>Balance at 1 April</b>		<b>218,183</b>
42,678 Actuarial losses on pensions assets and liabilities	<b>(23,097)</b>	
19,374 Reversal of items relating to retirement benefits debited to the Deficit on the Provision of Services in the CI&ES	<b>23,521</b>	
(12,263) Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(12,810)</b>	
<b>218,183 Balance at 31 March</b>		<b>205,797</b>

\* The Actuarial losses on pensions assets and liabilities and the Reversal of items relating to retirement benefits debited to the Deficit on the Provision of Services in the CI&ES have been restated to account for the changes to accounting for Pension costs, further details can be found within the Prior Period Adjustments note on page 24.



**f. Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CI&ES as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £000	2013/14 £000	£000
(184) <b>Balance at 1 April</b>		<b>388</b>
Amount by which income credited to the CI&ES is different from income calculated for the year in accordance with statutory requirements:		
572 Council tax	(1,039)	
0 Non-domestic rates	<u>5,535</u>	
		<b>4,496</b>
<b>388 Balance at 31 March</b>		<b>4,884</b>

Further details explaining the operation of the Council's Collection Fund can be found in the Collection Fund Account disclosures on pages 117 to 120.

**g. Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave and flexi leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £000	2013/14 £000	£000
3,328 <b>Balance at 1 April</b>		<b>3,365</b>
(3,328) Settlement or cancellation of accrual made at the end of the preceding year	(3,365)	
3,365 Amounts accrued at the end of the current year	<u>2,495</u>	
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(870)
<b>3,365 Balance at 31 March</b>		<b>2,495</b>

### 37. Cash Flow Statement – Adjustments to net deficit on the provision of services for non cash movements

2012/13 Restated £000	2013/14 £000
(30,618) Depreciation	(34,564)
(12,035) Impairments and revaluations	(11,175)
(1,035) Amortisation	(438)
(7,137) Movement in pension liability *	(10,741)
(9,578) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,756)
(11,157) Changes in fair value of investment properties	5,618
(1,281) Increase/(decrease) in debtors	8,168
(17) Increase/(decrease) in interest debtors	102
(283) (Increase) in bad debt provision	(985)
(2,677) (Increase)/decrease in creditors	266
75 (Increase)/decrease in interest creditors	(193)
(33) Increase/(decrease) in inventories	124
(917) Other non-cash items charged to the net deficit on the provision of services	(253)
<b>(76,693)</b>	<b>(47,827)</b>

\* The Movement in pension liability has been restated to account for the changes to accounting for Pension costs, further details can be found within the Prior Period Adjustments note on page 24.

### 38. Cash Flow Statement – Operating Activities

The cash outflows for operating activities total £22.206m (£35.649m in 2012/13). The IFRS Code of Practice requires separate disclosures to be made in respect of interest and dividends received and paid, these are shown in the table below:-

2012/13 £000	2013/14 £000
(586) Interest received	(374)
16,599 Interest paid	15,286
(877) Dividends received	(3,654)
<b>15,136 Included within cash flows from operating activities</b>	<b>11,258</b>

### 39. Cash Flow Statement – Investing Activities

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2012/13 £000	2013/14 £000
25,787 Purchase of property, plant and equipment, investment property and intangible assets	36,113
9,000 Purchase of short-term and long-term investments	10,222
11,402 Other payments for investing activities	7,112
(3,734) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,435)
(13,160) Capital grants received	(16,811)
(4,759) Proceeds from short-term and long-term investments	(16,428)
(60) Other receipts from investing activities	(59)
<b>24,476 Net cash flows from investing activities</b>	<b>16,714</b>

**40. Cash Flow Statement – Financing Activities**

Cash flows arising from financing activities can be useful by predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2012/13 £000		2013/14 £000
0	Cash receipts of short and long term borrowing	(6,500)
4,134	Other movements from financing activities	3,528
2,745	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	3,401
2,897	Repayments of short and long-term borrowing	3,758
<b>9,776</b>	<b>Net cash flows from financing activities</b>	<b>4,187</b>

#### 41. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CI&ES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CI&ES);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- contributions to and from revenue reserves are reported to Cabinet but are not included in the CI&ES.

The income and expenditure of the Council's cabinet portfolios recorded in the year-end outturn report to Full Cabinet is shown in the table below.

<b>Cabinet Income and Expenditure 2013/14</b>	Children and Young People £000	Community Services £000	Economic Development and Regeneration (including HRA) £000	Healthier Communities £000	Leader £000	Safer Communities £000	Transport & Highways £000	<b>Total £000</b>
Fees, charges & other service income	(13,372)	(1,700)	(46,902)	(10,916)	(12,332)	(4,449)	(4,917)	<b>(94,588)</b>
Interest and Investment Income	(242)	(468)	(113)	0	(3,474)	0	0	<b>(4,297)</b>
Government grants	(132,235)	(791)	(2,479)	(13,299)	(64,394)	(659)	(204)	<b>(214,061)</b>
<b>Total Income</b>	<b>(145,849)</b>	<b>(2,959)</b>	<b>(49,494)</b>	<b>(24,215)</b>	<b>(80,200)</b>	<b>(5,108)</b>	<b>(5,121)</b>	<b>(312,946)</b>
Employee expenses	112,044	3,607	4,283	18,695	24,602	4,196	3,190	<b>170,617</b>
Other service expenses	58,371	15,661	27,911	56,911	73,726	2,791	8,826	<b>244,197</b>
Support service recharges	3,590	15	1,069	2,937	(9,135)	(388)	(824)	<b>(2,736)</b>
Interest Payments	4,769	290	8,385	0	10,982	0	0	<b>24,426</b>
<b>Total Expenditure</b>	<b>178,774</b>	<b>19,573</b>	<b>41,648</b>	<b>78,543</b>	<b>100,175</b>	<b>6,599</b>	<b>11,192</b>	<b>436,504</b>
Transfers to/(from) reserves	1,704	583	11,640	27	3,861	433	300	<b>18,548</b>
<b>Net Expenditure</b>	<b>34,629</b>	<b>17,197</b>	<b>3,794</b>	<b>54,355</b>	<b>23,836</b>	<b>1,924</b>	<b>6,371</b>	<b>142,106</b>

<b>Cabinet Income and Expenditure 2012/13</b>	Children and Young People £000	Community Services £000	Economic Development and Regeneration (including HRA) £000	Healthier Communities £000	Leader £000	Safer Communities £000	Transport & Highways £000	<b>Total £000</b>
Fees, charges & other service income	(13,519)	(2,241)	(44,446)	(17,153)	(11,100)	(4,022)	(4,736)	<b>(97,217)</b>
Interest and Investment Income	(173)	(1,720)	(127)	0	(811)	0	0	<b>(2,831)</b>
Government grants	(140,417)	(119)	(3,789)	(7,599)	(76,193)	(429)	(284)	<b>(228,830)</b>
<b>Total Income</b>	<b>(154,109)</b>	<b>(4,080)</b>	<b>(48,362)</b>	<b>(24,752)</b>	<b>(88,104)</b>	<b>(4,451)</b>	<b>(5,020)</b>	<b>(328,878)</b>
Employee expenses	114,216	4,917	4,330	18,579	24,909	2,951	2,985	<b>172,887</b>
Other service expenses	56,701	13,880	24,359	52,405	85,302	2,405	8,980	<b>244,032</b>
Support service recharges	3,232	22	1,046	1,658	(7,336)	146	(528)	<b>(1,760)</b>
Interest Payments	4,847	2,269	8,492	0	10,950	0	0	<b>26,558</b>
<b>Total Expenditure</b>	<b>178,996</b>	<b>21,088</b>	<b>38,227</b>	<b>72,642</b>	<b>113,825</b>	<b>5,502</b>	<b>11,437</b>	<b>441,717</b>
Transfers to/(from) reserves	2,119	551	13,848	3,003	(177)	(273)	672	<b>19,743</b>
<b>Net Expenditure</b>	<b>27,006</b>	<b>17,559</b>	<b>3,713</b>	<b>50,893</b>	<b>25,544</b>	<b>778</b>	<b>7,089</b>	<b>132,582</b>

#### Reconciliation of Cabinet Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of cabinet income and expenditure relate to the amounts included in the CI&ES

	2012/13 £000	2013/14 £000
<b>Net expenditure in the Cabinet Analysis</b>	132,582	<b>142,106</b>
Amounts in the CI&ES not reported to management in the Analysis (see reconciliation overleaf for further details)	60,313	<b>43,407</b>
Amounts included in the Analysis not included in the CI&ES	(38,854)	<b>(31,310)</b>
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>154,041</b>	<b>154,203</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the CI&ES.

2013/14	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(94,588)	(937)	6,214	<b>(89,311)</b>	0	<b>(89,311)</b>
Interest and investment income	(4,297)	0	4,297	<b>0</b>	(4,130)	<b>(4,130)</b>
Income from council tax and non-domestic rates	0	0	0	<b>0</b>	(109,224)	<b>(109,224)</b>
Government grants and contributions	(214,061)	0	3,324	<b>(210,737)</b>	(56,720)	<b>(267,457)</b>
Rent received on investment properties	0	0	0	<b>0</b>	(4,417)	<b>(4,417)</b>
<b>Total Income</b>	<b>(312,946)</b>	<b>(937)</b>	<b>13,835</b>	<b>(300,048)</b>	<b>(174,491)</b>	<b>(474,539)</b>
Employee expenses	170,617	11,648	0	<b>182,265</b>	8,768	<b>191,033</b>
Other service expenses	244,197	(2,679)	(12,973)	<b>228,545</b>	0	<b>228,545</b>
Support Service recharges	(2,736)	0	0	<b>(2,736)</b>	0	<b>(2,736)</b>
Depreciation, amortisation, impairment and revaluation losses	0	46,177	0	<b>46,177</b>	0	<b>46,177</b>
Interest Payments	24,426	0	(24,426)	<b>0</b>	16,256	<b>16,256</b>
Precepts & Levies	0	0	0	<b>0</b>	12,190	<b>12,190</b>
Payments to Housing Capital Receipts Pool	0	0	0	<b>0</b>	1,153	<b>1,153</b>
Investment properties - expenses and changes in fair value	0	0	0	<b>0</b>	(5,350)	<b>(5,350)</b>
Gain or Loss on Disposal of Non-Current Assets	0	0	0	<b>0</b>	(874)	<b>(874)</b>
<b>Total expenditure</b>	<b>436,504</b>	<b>55,146</b>	<b>(37,399)</b>	<b>454,251</b>	<b>32,143</b>	<b>486,394</b>
Transfer to/(from) Reserves	18,548	(10,802)	(7,746)	<b>0</b>	0	<b>0</b>
<b>Surplus or deficit on the provision of services</b>	<b>142,106</b>	<b>43,407</b>	<b>(31,310)</b>	<b>154,203</b>	<b>(142,348)</b>	<b>11,855</b>

## Reconciliation to Subjective Analysis

<b>2012/13 Comparative Figures Restated</b>	<b>Cabinet Analysis £000</b>	<b>Amounts not reported to management for decision making<sup>1</sup> £000</b>	<b>Amounts not included in CI&amp;E net cost of services £000</b>	<b>Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges & other service income	(97,217)	(530)	4,421	<b>(93,326)</b>	0	<b>(93,326)</b>
Interest and investment income	(2,831)	0	2,831	<b>0</b>	(1,446)	<b>(1,446)</b>
Income from council tax	0	0	0	<b>0</b>	(94,865)	<b>(94,865)</b>
Government grants and contributions	(228,830)	0	13,642	<b>(215,188)</b>	(74,032)	<b>(289,220)</b>
Rent received on investment properties	0	0	0	<b>0</b>	(4,514)	<b>(4,514)</b>
<b>Total Income</b>	<b>(328,878)</b>	<b>(530)</b>	<b>20,894</b>	<b>(308,514)</b>	<b>(174,857)</b>	<b>(483,371)</b>
Employee expenses	172,887	3,730	0	<b>176,617</b>	7,864	<b>184,481</b>
Other service expenses	244,032	17,246	(17,268)	<b>244,010</b>	0	<b>244,010</b>
Support Service recharges	(1,760)	0	0	<b>(1,760)</b>	0	<b>(1,760)</b>
Depreciation, amortisation, impairment and revaluation losses	0	43,688	0	<b>43,688</b>	0	<b>43,688</b>
Interest Payments	26,558	0	(26,558)	<b>0</b>	16,523	<b>16,523</b>
Precepts & Levies	0	0	0	<b>0</b>	12,828	<b>12,828</b>
Payments to Housing Capital Receipts Pool	0	0	0	<b>0</b>	907	<b>907</b>
Investment properties - expenses and changes in fair value	0	0	0	<b>0</b>	11,478	<b>11,478</b>
Loss on Disposal of Non-Current Assets	0	0	0	<b>0</b>	5,159	<b>5,159</b>
<b>Total expenditure</b>	<b>441,717</b>	<b>64,664</b>	<b>(43,826)</b>	<b>462,555</b>	<b>54,759</b>	<b>517,314</b>
Transfer to/(from) Reserves	19,743	(3,821)	(15,922)	<b>0</b>	0	<b>0</b>
<b>Surplus or deficit on the provision of services</b>	<b>132,582</b>	<b>60,313</b>	<b>(38,854)</b>	<b>154,041</b>	<b>(120,098)</b>	<b>33,943</b>

<sup>1</sup> Amounts not reported for decision making have been restated to account for the changes to accounting for Pension costs, further details can be found within the Prior Period Adjustments note on page 24.

## 42. Members' Allowances

The total of Members' allowances paid in the year was £0.543m (£0.539m in 2012/13). The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

## 43. Officers' Remuneration

This note contains the following three disclosures relating to officers' remuneration:-

- Remuneration of senior officers;
- Remuneration of officers where greater than £50,000;
- Exit packages

Under section 38(1) of the Localism Act 2011, each Local Authority is required to produce a Pay Policy Statement for each financial year. The Council's Pay Policy Statement which is relevant to this financial year's Accounts was approved by Full Council on 5 February 2013 and can be accessed via the following link:

[http://www.solihull.gov.uk/Portals/0/CouncillorsAndCommittees/Pay\\_Policy\\_Statement.pdf](http://www.solihull.gov.uk/Portals/0/CouncillorsAndCommittees/Pay_Policy_Statement.pdf)

The notes that follow should be read in conjunction with the Pay Policy Statement if more information or context is required.

### a. Remuneration of senior officers

Senior Officers' remuneration is subject to the same Performance and Development Review Framework as all Council employees (excluding schools).

The remuneration paid to the Council's senior officers is as follows (with reference to notes overleaf where applicable):

Post		Salary, Fees and Allowances	Pension Contribution (employer's)	Total Remuneration
		£	£	£
Chief Executive <sup>1</sup>	2013/14	128,971	22,209	151,180
	2012/13	132,573	23,200	155,773
Director of Adult Social Care <sup>2</sup>	2013/14	105,186	19,081	124,267
	2012/13	84,168	14,729	98,897
Director of Business Transformation <sup>3</sup>	2013/14	104,594	18,973	123,567
	2012/13	91,875	16,078	107,953
Director of Children's Services <sup>4</sup>	2013/14	62,857	2,054	64,911
	2012/13	100,937	7,078	108,015
Director of Governance	2013/14	88,425	16,666	105,091
	2012/13	90,152	16,078	106,230
Director for Places	2013/14	109,370	19,840	129,210
	2012/13	109,371	19,140	128,511
Director of Public Health <sup>5</sup>	2013/14	132,828	18,596	151,424
	2012/13	0	0	0
Director of Resources	2013/14	105,186	19,081	124,267
	2012/13	105,186	18,408	123,594



## Note 43a continued

<sup>1</sup> The Chief Executive left the Council in February 2014, at which point the Director of Business Transformation took on the post on an Acting basis.

<sup>2</sup> The Director of Adult Social Care has been in post since June 2012.

<sup>3</sup> The Director of Business Transformation has undertaken the role of Acting Director of Children's Services between October 2013 and February 2014, and subsequently that of Acting Chief Executive from February 2014 in addition to his substantive role as Director of Business Transformation. His full remuneration is shown against the Director of Business Transformation post and has not been split out into either of the additional Acting roles held during the year.

<sup>4</sup> The Director of Children's Services left the Council in September 2013, at which point the Director of Business Transformation took on the post on an Acting basis until a new Director of Children's Services was appointed in February 2014.

<sup>5</sup> Following an amendment to section 2(6) of the Local Government and Housing Act 1989, the Director of Public Health has been brought within the scope of the senior officers' remuneration note from 2013/14. This change reflects the fact that Public Health as a service transferred from Primary Care Trusts (PCTs) to Local Authorities from April 2013.

**b. Remuneration of officers where greater than £50,000**

The Council's employees (including teachers but excluding Senior Officers included within note 43a) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2012/13		2013/14	
	Total Number of employees in band	Employees receiving termination packages (included within total)	Total Number of employees in band	Employees receiving termination packages (included within total)
£50,000 - £54,999	59	2	<b>61</b>	<b>2</b>
£55,000 - £59,999	56	3	<b>57</b>	<b>2</b>
£60,000 - £64,999	30	6	<b>24</b>	<b>2</b>
£65,000 - £69,999	27	6	<b>28</b>	<b>1</b>
£70,000 - £74,999	16	3	<b>10</b>	<b>0</b>
£75,000 - £79,999	5	1	<b>7</b>	<b>0</b>
£80,000 - £84,999	3	0	<b>6</b>	<b>1</b>
£85,000 - £89,999	4	2	<b>1</b>	<b>0</b>
£90,000 - £94,999	3	2	<b>2</b>	<b>0</b>
£95,000 - £99,999	1	1	<b>0</b>	<b>0</b>
£100,000 - £104,999	1	1	<b>1</b>	<b>1</b>
£105,000 - £109,999	0	0	<b>0</b>	<b>0</b>
£110,000 - £114,999	0	0	<b>0</b>	<b>0</b>
£115,000 - £119,999	0	0	<b>1</b>	<b>1</b>
£120,000 - £124,999	0	0	<b>0</b>	<b>0</b>
£125,000 - £129,999	0	0	<b>0</b>	<b>0</b>
£130,000 - £134,999	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>205</b>	<b>27</b>	<b>198</b>	<b>10</b>

c. Exit packages

Below is the Council's disclosure of the number and cost of exit packages agreed in the year. The costs are amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Exit package cost and (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £'000	2013/14 £'000
£0 - £20,000	49	37	38	28	87	65	719	472
£20,001 - £40,000	4	8	27	6	31	14	871	423
£40,001 - £60,000	4	3	11	3	15	6	747	316
£60,001 - £80,000	1	4	11	4	12	8	834	566
£80,001 - £100,000	0	0	1	0	1	0	97	0
£100,001 - £150,000	0	1	1	0	1	1	133	124
£150,001- £200,000	0	1	0	0	0	1	0	178
<b>Total</b>	<b>58</b>	<b>54</b>	<b>89</b>	<b>41</b>	<b>147</b>	<b>95</b>	<b>3,401</b>	<b>2,079</b>

During 2013/14 the Council agreed a number of voluntary and compulsory redundancies. These were primarily as a result of operational changes, legislative changes, transformation of services and in order to realise savings to meet the Council's Medium Term Financial Strategy (MTFS). The service changes highlighted below are some of the main areas where exit costs have been incurred during the financial year. The figures in the table above also include exit costs incurred by the Council's schools within the borough.

Adults Residential Care Services at Coombes House

Coombes House was a Council owned and managed residential care home for people for learning disabilities. As part of the outcome of a public consultation to transform and modernise residential care services, a decision was taken to close Coombes House and to deliver the services by commissioning alternative provision. This has contributed towards a saving of £0.302m in line with the 2013/14 Medium Term Financial Strategy (MTFS).

Public Protection Service

Public Protection was a separate division of service delivered by the Council within the Places Directorate. A decision was taken to achieve operational efficiencies through re-structuring the service and absorbing its elements into two pre-existing services (Environmental Services and Development Management Services). This change to the service has contributed to savings delivery of £0.117m in line with the 2013/14 MTFS.

Extended Services within Schools

The cessation of the extended services programme of activity within Schools has resulted from the government reforms to the schools funding arrangements. Funds for this service could no longer be held centrally within the Dedicated Schools Grant (DSG) and have been delegated to Schools and as a consequence the old arrangements have ceased and Schools are free to deploy these resources in accordance with their own service needs and priorities.

Youth Services

A review of service delivery took place during the year to contribute towards £0.120m worth of savings in the 2013/14 MTFS.

In addition to the above specific service area reviews there were a number of other terminations across the Council which resulted from minor restructures at an individual service level as part on ongoing service redesign and reprioritisation and in order to achieve savings in the current MTFS.

**44. External Audit Costs**

The following fees relate to external audit and inspection:

	2012/13 £000	2013/14 £000
Fees payable to the Auditors with regard to external audit services carried out by the appointed auditor for the year	177	177
Rebate received from the Audit Commission relating to 2012/13	(16)	0
Fees payable to the Auditors for the certification of grant claims and returns for the year	36	19
Fees payable in respect of other services provided by the Auditors during the year	4	0
<b>Total</b>	<b>201</b>	<b>196</b>

**45. Grant Income**

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2012/13 and 2013/14:

	2012/13		2013/14	
	£000	£000	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>				
<b>Non-ring fenced government grants</b>				
Revenue Support Grant <sup>1</sup>	(966)		(39,674)	
New Homes Bonus	(1,462)		(2,099)	
Council Tax Freeze Grant 2012/13 <sup>2</sup>	(2,347)		0	
Council Tax Freeze Grant 2013/14	0		(948)	
Small Business Rate Relief Grant <sup>3</sup>	0		(499)	
Capitalisation Redistribution Grant <sup>4</sup>	0		(209)	
Local Services Support Grant <sup>1</sup>	(597)		(68)	
Early Intervention Grant <sup>1</sup>	(9,143)		0	
		(14,515)		(43,497)
<b>Capital Grants and Contributions</b>				
Local Transport Plan	(3,831)		(4,410)	
Chelmund's Cross Village Centre - ERDF Funding	(242)		(1,679)	
Weekly Waste Collection Grant <sup>5</sup>	0		(1,578)	
Capital Maintenance Grant	(833)		(1,486)	
A45 Bridge	0		(518)	
Devolved Formula Capital	(350)		(372)	
Basic Need	(1,515)		(201)	
North Solihull Cycle Route ERDF Funding	(718)		(241)	
North Solihull Cycle Route LSTF Funding	(217)		(437)	
Smith's Wood Village Centre - ERDF Funding	(425)		(109)	
Smith's Wood Village Centre - NSP Funding and Other	(369)		(108)	
Two Year Old Entitlement	(300)		0	
Other capital Grants, Contributions and Donations	(880)		(2,084)	
		(9,680)		(13,223)
<b>Total</b>		<b>(24,195)</b>		<b>(56,720)</b>
<b>Credited to Services</b>				
Dedicated Schools Grant (DSG)	(108,392)		(108,709)	
Housing and Council Tax Benefits Scheme <sup>1</sup>	(70,211)		(57,435)	
Public Health Grant <sup>6</sup>	0		(9,636)	
PFI credits	(6,604)		(6,604)	
Pupil Premium	(3,240)		(4,947)	
Education Services Grant <sup>7</sup>	0		(3,311)	
NHS Support for Social Care	(2,207)		(3,115)	
Asylum Seekers <sup>8</sup>	(5,631)		(2,755)	
Sixth Form Funding	(2,502)		(2,547)	
Housing and Council Tax Benefits Administration	(1,341)		(1,206)	
Learning Disabilities and Health Reform Grant <sup>1</sup>	(5,121)		0	
Other revenue Grants, Contributions and Donations	(9,939)		(10,472)	
<b>Total</b>		<b>(215,188)</b>		<b>(210,737)</b>

<sup>1</sup> The table overleaf shows the changes in the value of specific grants which were received in 2012/13 but have been combined into Revenue Support grant funding and Business Rates Baseline funding in 2013/14, and the table also shows how that has impacted on the value of the Revenue Support Grant and the Business Rates Baseline funding received.

<b>Explanation of Transferred grants, formula funding and funding sources</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
<b>Transferred grants</b>		
Council Tax Benefit Scheme (in 2012/13) Council tax support scheme from 2013/14	12,282	11,075
Early intervention grant (excluding funding for 2 year olds)	9,143	6,457
Local Services Support Grant - Homelessness Prevention	176	175
Local Services Support Grant - Flood Defence	150	119
Learning disability and health reform grant	5,121	5,250
<b>Transferred grants funding comparison between years</b>	<b>26,872</b>	<b>23,076</b>
Adjusted formula grant	48,460	40,650
2011/12 council tax freeze grant	2,342	2,342
Total formula funding comparison between years	50,802	42,992
<b>Equivalent Total Funding comparison between years</b>	<b>77,675</b>	<b>66,068</b>
Funded from the following sources between years:		
Revenue Support Grant	966	39,674
Solihull Council's Share of business rates in 2012/13 and Business Rates	49,837	26,394
Baseline funding for 2013/14		
Specific grant funding	26,872	0
<b>Total funding comparison between years</b>	<b>77,675</b>	<b>66,068</b>

<sup>2</sup> The Council Tax Freeze Grant shown in 2012/13 was one-off funding.

<sup>3</sup> The Small Business Rate relief Grant compensates the council for the reduction in business rates income associated with the increase in Small Business Rate relief in 2013/14. This is a new grant for 2013/14 as a result of the retention of business rates.

<sup>4</sup> The Capitalisation Redistribution Grant is a one-off, non-ring fenced sum awarded to Authorities as a share of the Government's unspent Capitalisation programme.

<sup>5</sup> The Weekly Waste Collection Grant was for one-off funding to encourage the continuation of weekly household waste collection.

<sup>6</sup> The Public Health functions transferred to the Council from 1st April 2013 have been funded by a new ring fenced grant received from Public Health England.

<sup>7</sup> The Education Services Grant is a new grant receivable from 2013/14.

<sup>8</sup> Income from the Asylum Seekers Grant has reduced significantly in 2013/14 due to changes in rates paid and a general reduction in activity in this area.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the donor. The balances at the year end are as follows:

	<b>31 March 2013 £000</b>	<b>31 March 2014 £000</b>
<b>Capital Grants Receipts in Advance</b>		
Devolved Formula Capital	(482)	<b>(456)</b>
Various S106 Contributions	(1,494)	<b>(2,362)</b>
Other Grants and Contributions	(377)	<b>(596)</b>
Total	<b>(2,353)</b>	<b>(3,414)</b>

#### 46. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

<b>2013/14</b>	Individual Schools Budget (ISB) £000	Central Expenditure £000	<b>Total £000</b>
Final DSG for 2013/14 before Academy recoupment			<b>158,399</b>
Academy figure recouped for 2013/14			<b>(49,691)</b>
Total DSG after Academy recoupment for 2013/14	85,506	23,202	<b>108,708</b>
Brought forward from 2012/13	0	990	<b>990</b>
<b>Final budgeted distribution for 2013/14</b>	<b>85,506</b>	<b>24,192</b>	<b>109,698</b>
Actual central expenditure	0	23,969	<b>23,969</b>
Actual ISB deployed to schools	85,506	0	<b>85,506</b>
<u>Carry forward to 2014/15</u>			
Payments to reserves	0	0	<b>0</b>
Underspend to be added to DSG	0	223	<b>223</b>
<b>Total use</b>	<b>85,506</b>	<b>24,192</b>	<b>109,698</b>
<b>2012/13 Comparative Figures</b>	Individual Schools Budget (ISB) £000	Central Expenditure £000	<b>Total £000</b>
Final DSG for 2012/13 before Academy recoupment			<b>154,748</b>
Academy figure recouped for 2012/13			<b>(46,356)</b>
Total DSG after Academy recoupment for 2012/13	90,301	18,091	<b>108,392</b>
Brought forward from 2011/12	0	826	<b>826</b>
<b>Final budgeted distribution for 2012/13</b>	<b>90,301</b>	<b>18,917</b>	<b>109,218</b>
Actual central expenditure	0	17,451	<b>17,451</b>
Actual ISB deployed to schools	90,301	0	<b>90,301</b>
<u>Carry forward to 2013/14</u>			
Payments to reserves	0	476	<b>476</b>
Underspend to be added to DSG	0	990	<b>990</b>
<b>Total use</b>	<b>90,301</b>	<b>18,917</b>	<b>109,218</b>

## 47. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 41 on reporting for resource allocation decisions. Grant received in advance outstanding at 31 March 2014 are shown in Note 45.

In addition, the new arrangements for business rates accounting resulted in a tariff payment of £25.0m to Birmingham City Council as the lead authority in the Greater Birmingham and Solihull Pool. This amount forms part of the pool's overall payment to/from central government.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 42. During 2013/14, there were income transactions of £0.396m and expenditure transactions of £2.348m with companies in which twelve members had an interest. Contracts were entered into in full compliance with the council's standing orders.

### Officers

There were no significant transactions between the Council's Executive Directors, Heads of Service, and other related parties during the year.

### Other Public Bodies (subject to common control by central government)

The Council has a pooled budget arrangement with Solihull CCG for the provision of adult social services and health services across the borough. Transactions and balances outstanding are detailed in Note 34.

The West Midlands Police and Crime Commissioner and West Midlands Fire and Rescue Authority levy precepts on the Council, details of which can be found as part of the Collection Fund revenue account. The Council also pays the Fire and Rescue Authority a 1% share of business rates income.

Levy payments of £0.084m to the Environment Agency and £10.985m to Centro (West Midlands Passenger Transport Executive) were made in 2013/14. In addition, income of £0.024m was received, and expenditure of £0.187m was paid to Centro during 2013/14.

### Entities Controlled or Significantly Influenced by the Council

The Council made net payments to voluntary organisations amounting to £0.690m in 2013/14. In certain instances they represent a significant element of grant funding to voluntary organisations, without which they would be unable to carry out their activities.

Payment of £1.706m was made to Rivendell Leisure Ltd in 2013/14 for the operation of two swimming pools and sports centres within the borough.

The Coventry and Solihull Waste Disposal Company Ltd is a company set up by Solihull Metropolitan Borough Council and Coventry City Council for the disposal of waste arising from the two authorities. During the year the Council made payments of £2.058m, of which £1.800m relates to 2014/15 and is shown within the Council's payments in advance. In addition, the Council received dividends of £0.470m and a receipt of £1.200m from the company for the further redemption of a proportion of the Council's preference shares.

Solihull Community Housing Ltd, an arms length company set up to manage the Council's housing stock, is a wholly owned subsidiary of the Council. Income of £3.789m was received from Solihull Community Housing Ltd and expenditure of £37.327m was paid during 2013/14 (including management fees and capital allocations totalling £34.566m). At 31 March 2014, £0.718m was owed to Solihull Community Housing by the Council.

The Council paid out expenditure of £1.829m to North Solihull Partnership during the year in relation to regeneration in the north of the borough and supplied services to a value of £0.410m, of which £0.076m remained owed to the Council by the Partnership at year end.

A further amount of £0.783m remains owed to the Council by North Solihull Partnership relating to previous years activity. This is included within note 25 - Long Term Debtors, it has been agreed that this sum is not due for payment until 2015/16 at the earliest.

During 2013/14, the Council purchased the remaining shares in Blythe Valley Innovation Centre Ltd, giving the Council 100% control over the facility. As part of the transaction, the Council made a loan of £0.081m to the company.

#### 48. Capital Expenditure and Capital Financing

	2012/13		2013/14	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		<b>390,221</b>		<b>391,067</b>
<b>Capital Investment</b>				
Property, Plant & Equipment	27,737		<b>35,308</b>	
Investment Property	0		<b>562</b>	
Intangible assets	331		<b>454</b>	
Revenue expenditure classified as capital	11,402		<b>7,108</b>	
Loans	0		<b>79</b>	
Share purchase	0		<b>25</b>	
<b>Total Capital Investment</b>		<b>39,470</b>		<b>43,536</b>
<b>Sources of Finance</b>				
Capital receipts	(3,511)		<b>(2,399)</b>	
Government grants and other contributions	(15,185)		<b>(15,878)</b>	
Sums set aside from revenue	(19,928)		<b>(24,951)</b>	
		<b>(38,624)</b>		<b>(43,228)</b>
<b>Closing Capital Financing Requirement</b>		<b>391,067</b>		<b>391,375</b>
<b>Explanation of Movements in Year</b>				
Increase in underlying need to borrow (supported by Government financial assistance)		(5,038)		<b>(4,881)</b>
Increase in underlying need to borrow (not supported by Government financial assistance)		5,415		<b>7,989</b>
Assets acquired under PFI/PPP contracts		(1,268)		<b>(1,468)</b>
Assets acquired under Finance Leases		1,737		<b>(1,332)</b>
<b>Increase in Capital Financing Requirement</b>		<b>846</b>		<b>308</b>



## 49. Leases

### a) Council as Lessee

#### Finance Leases

The Council has acquired the Bluebell Centre, two car parks, one of its libraries and a number of photocopiers under finance leases. The majority of these photocopiers however, are under the Council's de minimis level for capital spending and are, therefore, not included within our Balance Sheet (see accounting policies for further details). The assets acquired under these leases that are above our de minimis level for capital spending are carried in the Balance Sheet at the following net amounts:

	31 March 2013 £000	<b>31 March 2014 £000</b>
<b>Property, Plant and Equipment</b>		
Land and Buildings	5,424	<b>5,327</b>
Vehicles, Plant and Equipment	166	<b>127</b>
<b>Investment Property</b>	1,306	<b>1,306</b>
	<b>6,896</b>	<b>6,760</b>

The Council is committed to making minimum payments under the photocopier leases and the Bluebell Centre lease. These minimum payments are made up of the settlement of the long-term liability for the interest in the asset acquired by the Council and finance costs that will be payable over the remainder of the lease term. The minimum lease payments, as cash amounts and present values, are made up of the following amounts:

	31 March 2013 Cash Amount £000	<b>31 March 2014 £000</b>	31 March 2013 Net Present Value £000	<b>31 March 2014 £000</b>
Finance lease liabilities:				
• current	123	<b>120</b>	123	<b>120</b>
• non-current	3,913	<b>3,808</b>	948	<b>899</b>
Finance costs payable in future years	6,729	<b>6,512</b>	2,982	<b>2,924</b>
Total future minimum lease payments	<b>10,765</b>	<b>10,440</b>	<b>4,053</b>	<b>3,943</b>

The minimum lease payments, in cash terms, will be payable over the following periods:

	Minimum Lease Payments 31 March 2013 £000	Finance Lease Liabilities 31 March 2013 £000	Minimum Lease Payments 31 March 2014 £000	Finance Lease Liabilities 31 March 2014 £000
Not later than one year	342	123	332	120
Later than one year and not later than five years	1,092	284	994	202
Later than five years	9,331	3,629	9,114	3,606
	<b>10,765</b>	<b>4,036</b>	<b>10,440</b>	<b>3,928</b>

The minimum lease payments, stated as present values, will be payable over the following periods:

	Minimum Lease Payments 31 March 2013 £000	Finance Lease Liabilities 31 March 2013 £000	Minimum Lease Payments 31 March 2014 £000	Finance Lease Liabilities 31 March 2014 £000
Not later than one year	342	123	332	120
Later than one year and not later than five years	953	248	869	178
Later than five years	2,758	700	2,742	721
	<b>4,053</b>	<b>1,071</b>	<b>3,943</b>	<b>1,019</b>

The above lease payments are in relation to the photocopiers and the rental payments due for the Bluebell Centre.

### Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2014 £000
Not later than one year	254	216
Later than one year and not later than five years	296	635
Later than five years	509	456
	<b>1,059</b>	<b>1,307</b>

The minimum lease payment expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.439m (2012/13: £0.547m).

### b) Council as Lessor

#### Finance Leases

The Council has leased out the following property on finance leases prior to 2013/14:-

	Remaining lease term	Value £'000
Balsall Common Primary	124 years	3,985
Hockley Heath Primary	124 years	1,393
Heart of England Academy	123 years	14,015
Alderbrook Academy	123 years	14,010
Langley Academy	123 years	9,973
Light Hall Academy	123 years	10,538
Lode Heath Academy	123 years	8,876
Hall Meadow Land	122 years	620
Arden Academy	122 years	17,395
Tudor Grange Academy	122 years	11,750
Park Hall Academy	121 years	23,710
		<b>116,265</b>

There is no rent payable to the Council under the terms of these finance leases above.

## Operating Leases

The Council leases out property for a variety of purposes. These include for the provision of community services, such as sports facilities and community centres, for economic development purposes to provide suitable accommodation for local businesses and for income generating purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2014 £000
Not later than one year	1,376	1,424
Later than one year and not later than five years	4,140	4,417
Later than five years	48,425	47,226
	<b>53,941</b>	<b>53,067</b>

The minimum lease payments receivable shown above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews and rents linked to percentage of future revenue.

In 2013/14 contingent rents of £3.291m were receivable by the Council (£3.371m in 2012/13).

## 50. Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council is deemed to control the services that are provided under its schemes and ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge.

### Building Schools for the Future (BSF) PFI

In 2013/14 and subsequent years the Council is committed to making a payment of approximately £8.400m per annum under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Lanchester, Park Hall Academy and Smith's Wood Schools. The actual payment will vary in line with inflation. The contract expires in 2035/36. There have been no changes to the arrangement during 2013/14.

The payments due to the PFI contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	Total £000
Payments due to be made:					
Within 1 year	2014/15	1,045	4,592	2,844	8,481
Within 2 to 5 years	2015/16 - 2018/19	5,518	17,433	11,746	34,697
Within 6 to 10 years	2019/20 - 2023/24	9,429	18,626	17,212	45,267
Within 11 to 15 years	2024/25 - 2028/29	13,481	13,632	20,519	47,632
Within 16 to 20 years	2029/30 - 2033/34	18,163	5,402	26,743	50,308
Within 21 years to 25 years	2034/35 - 2035/36	6,382	308	6,919	13,609
<b>Total</b>		<b>54,018</b>	<b>59,993</b>	<b>85,983</b>	<b>199,994</b>

The liability outstanding to pay to the PFI contractor for capital expenditure is as follows:

	31 March 2012	Net Payments during the year	31 March 2013	Net Payments during the year	31 March 2014
	£000	£000	£000	£000	£000
Lanchester School	8,757	(122)	8,635	(1,613)	7,022
Park Hall School	21,888	(404)	21,484	1,744	23,228
Smith's Wood School	25,362	(413)	24,949	(1,181)	23,768
<b>Total</b>	<b>56,007</b>	<b>(939)</b>	<b>55,068</b>	<b>(1,050)</b>	<b>54,018</b>

#### Similar contract: Leisure PPP Contract

In 2013/14 the Council made contractual payments of approximately £1.100m (£1.002m in 2012/13) to Rivendell Leisure Ltd in respect of the unitary charge element of the Leisure PPP contract for the operation of two swimming pools and sports centres within the borough. In future years the actual payment will vary in line with inflation. The contract expires in 2037/38. There have been no changes to the arrangement during 2013/14.

The payments due to the PPP contractor are as follows:

		Repayment of liability	Interest	Service Charge	Total
		£000	£000	£000	£000
Payments due to be made:					
Within 1 year	2014/15	299	234	695	1,228
Within 2 to 5 years	2015/16 - 2018/19	983	695	3,518	5,196
Within 6 to 10 years	2019/20 - 2023/24	410	525	6,248	7,183
Within 11 to 15 years	2024/25 - 2028/29	264	929	6,849	8,042
Within 16 to 20 years	2029/30 - 2033/34	1,215	1,606	6,194	9,015
Within 21 years to 25 years	2034/35 - 2037/38	1,338	1,547	5,075	7,960
<b>Total</b>		<b>4,509</b>	<b>5,536</b>	<b>28,579</b>	<b>38,624</b>

The liability outstanding to pay to the PPP contractor for capital expenditure is as follows:

	31 March 2012	Net Payments during the year	31 March 2013	Net Payments during the year	31 March 2014
	£000	£000	£000	£000	£000
Leisure	5,256	(330)	4,926	(417)	4,509
<b>Total</b>	<b>5,256</b>	<b>(330)</b>	<b>4,926</b>	<b>(417)</b>	<b>4,509</b>

**Similar contract: Strategic Environment Services Contract**

In 2008/09, the Council engaged Enterprise Management Services Ltd (subsequently acquired by Amey PLC) to provide Strategic Environment Services in a 7 year contract, which is extendable up to 21 years. An initial 7 year extension has been approved. In 2013/14 the Council made contractual payments of approximately £8.800m (£9.000m in 2012/13) to cover the provision of Waste Collection and Recycling, Street Cleansing and Ground Maintenance. The actual payment will vary over the life of the contract in line with inflation and any negotiated service changes. Within the contract there is provision for additional variable works, which by their nature are not yet known amounts and are therefore not included in the payment figures below.

The payments due to the contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	Total £000
Payments due to be made:					
Within 1 year	2014/15	1,200	446	7,197	<b>8,843</b>
Within 2 to 8 years	2015/16 - 2022/23	2,660	727	63,049	<b>66,436</b>
<b>Total</b>		<b>3,860</b>	<b>1,173</b>	<b>70,246</b>	<b>75,279</b>

The repayment of the liability is based on the expected useful life of the vehicles currently used on the contract. No assumptions on the replacement of the vehicles have been made.

The liability outstanding to pay to the contractor for capital expenditure is as follows:

	31 March 2012 £000	Net Payments during the year £000	31 March 2013 £000	Payments during the year £000	Capital Additions/ Disposals in Year £000	31 March 2014 £000
Vehicles and Plant	3,202	1,866	5,068	(1,812)	604	<b>3,860</b>
<b>Total</b>	<b>3,202</b>	<b>1,866</b>	<b>5,068</b>	<b>(1,812)</b>	<b>604</b>	<b>3,860</b>

## 51. Impairment Losses

### 2013/14

Detail of 2013/14 Impairments:	Council Dwellings £000	Land & Buildings £000	<b>Total £000</b>
Impairment losses recognised as a deficit on the Provision of Services, during the period in which those impairment losses are included	0	436	<b>436</b>
Impairment losses on revalued assets recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve during the period	0	460	<b>460</b>
<b>Total</b>	<b>0</b>	<b>896</b>	<b>896</b>

### 2012/13

Detail of 2012/13 Impairments:	Council Dwellings £000	Land & Buildings £000	<b>Total £000</b>
Impairment losses recognised as a deficit on the Provision of Services, during the period in which those impairment losses are included	0	634	<b>634</b>
Impairment losses on revalued assets recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve during the period	1,404	582	<b>1,986</b>
<b>Total</b>	<b>1,404</b>	<b>1,216</b>	<b>2,620</b>

## 52. Termination costs

The Council terminated the contracts of a number of employees in 2013/14, incurring costs of £2.079m (£3.401m in 2012/13) - see Note 43 for the number of exit packages and total cost per band and for information concerning the main areas where these terminations occurred. A breakdown of the costs across the directorates can be seen in the table below.

Directorate	Number of Terminations	Termination Costs £000
Adult Social Care	19	525
Business Transformation	4	87
Childrens Services	13	423
Governance	1	26
Places	11	327
Public Health	0	0
Resources	11	293
Solihull Schools	36	398
<b>Total</b>	<b>95</b>	<b>2,079</b>

## 53. Defined Benefit Pension Schemes

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council currently participates in three post employment schemes:

#### The Local Government Pension Scheme

This scheme is administered locally by The West Midlands Authorities Pension Fund (WMMAPF) - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

#### The Teachers' Pension Scheme

A defined benefit multi-employer pension scheme operated by the Department for Education of which, under the Teachers' Pensions Regulations Act 1972, the teachers employed by the Council are members. The scheme is managed by the Teachers' Pensions Agency under the Teachers' Pensions Regulations 1997, as amended. However, the Teachers' Pension Fund is accounted for as a "defined contribution" scheme in line with the requirements of IAS 19 since the scheme is notionally funded and the underlying liabilities cannot be identified on a consistent basis. In 2013/14 the Council paid £6.220m (2012/13: £6.350m) to the Teachers' Pensions Agency in respect of teachers' pension costs, which represents 14.1% (2012/13: 14.0%) of teachers' pensionable pay.

The Council makes pension payments relating to added years it has awarded, together with related increases. These discretionary payments form a separate, unfunded scheme and in 2013/14 these payments amounted to £1.041m (2012/13: £1.064m).

The Council has not made any discretionary post retirement benefit awards during 2013/14.

#### The National Health Service (NHS) Pension Scheme

A number of adult social care and public health employees are covered by the provisions of the NHS Pensions Scheme which was established on 5th July 1948. Details of the benefits payable under these provisions can be obtained from the NHS Pensions Business Services Authority. The scheme is an unfunded defined benefit final salary scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The scheme is not run in a way that would enable NHS bodies to identify their share of their underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In 2013/14 the Council paid £0.573m (2012/13: £0.548m) to the NHS Pension Scheme in respect of NHS pension costs and this represents 14.0% (2012/13: 14.0%) of the pensionable pay of the staff in the scheme.

The Council is not responsible for any retirement top-up payments outside of the NHS scheme.

### Transactions relating to post-employment benefits

We recognise the cost of post employment benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of past employment/retirement benefits is reversed out of the General Fund via the MIRS. The transactions detailed overleaf have been made in the CI&ES and the General Fund Balance via the MIRS during the year:

This year, changes to the accounting treatment of movements in the Council's net pension liability have been implemented, in line with the revised standard IAS19. The tables below and on the following pages include changes to 2012/13 comparative figures as a result; there is however no change to the Council's overall net pension deficit as reported in 2012/13.

Further details regarding the changes to the prior year figures can be found within note 1: Prior Period Adjustments.

<b>Comprehensive Income and Expenditure Statement</b>	2012/13 Restated £000	2013/14 £000
<i>Cost of Services:</i>		
<i>Service cost comprising:</i>		
• current service cost	12,899	<b>16,467</b>
• past service costs	0	<b>57</b>
• (Gain)/loss from settlements	(531)	<b>(937)</b>
• contributions to teachers scheme	(1,064)	<b>(1,041)</b>
• Administration costs	206	<b>207</b>
<i>Financing and Investment Income and Expenditure:</i>		
• Net Interest Expense	7,864	<b>8,768</b>
sub-total Post Employment Benefit charged to the Deficit on the Provision of Services	19,374	<b>23,521</b>
<u><i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i></u>		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount charged in the net interest expense)	(27,916)	<b>27,593</b>
• Actuarial gains/(losses) arising on changes in demographic assumptions	6,309	<b>4,170</b>
• Actuarial gains/(losses) arising on changes in financial assumptions	64,285	<b>(54,860)</b>
sub-total Post Employment Benefit charged to Other Comprehensive Income and Expenditure	42,678	<b>(23,097)</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>62,052</b>	<b>424</b>
<u><i>Movement in Reserves Statement</i></u>		
• Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits in accordance with the Code	(19,374)	<b>(23,521)</b>
<u><i>Actual amount charged against the General Fund Balance for pensions in the year:</i></u>		
• Employers' contributions payable to scheme	12,263	<b>12,810</b>



**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

	Teachers 2012/13 £000	Staff 2012/13 Restated £000	Teachers 2013/14 £000	Staff 2013/14 £000
Present value of the defined benefit obligation	14,873	624,136	13,975	593,799
Fair value of plan assets	0	420,826	0	401,977
<b>Net liability arising from defined benefit obligation</b>	<b>14,873</b>	<b>203,310</b>	<b>13,975</b>	<b>191,822</b>
	Total	218,183	Total	205,797

**The assets and liabilities in relation to post employment benefits are shown below:**

Reconciliation of the present value of the scheme liabilities				
	Teachers 2012/13 £000	Staff 2012/13 Restated £000	Teachers 2013/14 £000	Staff 2013/14 £000
<b>1 April</b>	13,577	530,147	<b>14,873</b>	<b>624,136</b>
Current service cost	0	12,899	0	16,467
Interest cost	600	25,640	531	25,889
Contributions from scheme participants	0	4,401	0	4,413
Remeasurement (gains)/losses:				
Experience (gains)/losses	0	0	17	(7,797)
Actuarial (gains)/losses arising from changes in demographic assumptions	186	6,123	410	3,760
Actuarial (gains)/losses arising from changes in financial assumptions	1,574	62,711	(815)	(54,045)
Past service costs	0	0	0	57
Benefits paid	(1,064)	(16,773)	(1,041)	(17,657)
Curtailments	0	329	0	251
Settlements	0	(1,341)	0	(1,675)
<b>31 March</b>	<b>14,873</b>	<b>624,136</b>	<b>13,975</b>	<b>593,799</b>

Reconciliation of the fair value of the scheme assets				
	Teachers 2012/13 £000	Staff 2012/13 Restated £000	Teachers 2013/14 £000	Staff 2013/14 £000
<b>1 April</b>	0	375,330	0	420,826
Interest Income	0	18,376	0	17,652
Remeasurement gain/(loss)	0	27,916	0	(35,373)
Administration Expenses	0	(206)	0	(207)
Contributions from employer	1,064	12,263	1,041	12,810
Contributions from scheme participants	0	4,401	0	4,413
Benefits paid	(1,064)	(16,773)	(1,041)	(17,657)
Settlements	0	(481)	0	(487)
<b>31 March</b>	<b>0</b>	<b>420,826</b>	<b>0</b>	<b>401,977</b>

An approximate allowance for the transfer of staff to academies during the year has been made and the adjustment is shown within the "settlements" figures above.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The actual return on scheme assets in the year was £12.844m (2012/13: £46.085m).

Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme and the Teachers' Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary and by future changes to the scheme regulations.

The total estimated contributions to the Local Government Pension Scheme by the Council, relating to 2014/15, is £13.804m (19.68% of pensionable pay).

### Basis for estimating assets and liabilities

The principal assumptions used by the actuary are shown in the following table:

	Teachers at 31 March 2013	Staff at 31 March 2013	Teachers at 31 March 2014	Staff at 31 March 2014
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity investments	n/a	7.00%	n/a	7.00%
Bonds	n/a	3.35%	n/a	3.91%
Other	n/a	4.40%	n/a	4.60%
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
Men		22.1 years		<b>22.9 years</b>
Women		24.8 years		<b>25.5 years</b>
Longevity at 65 for future pensioners:				
Men	n/a	23.9 years	n/a	<b>25.1 years</b>
Women	n/a	26.7 years	n/a	<b>27.8 years</b>
Rate of inflation	2.40%	2.40%	<b>2.40%</b>	<b>2.40%</b>
Rate of increase in salaries	n/a	4.15%	n/a	<b>4.15%</b>
Rate of increase in pensions	2.40%	2.40%	<b>2.40%</b>	<b>2.40%</b>
Rate for discounting scheme liabilities	3.70%	4.20%	<b>4.30%</b>	<b>4.40%</b>

### Analysis of the scheme assets and the expected rate of return at the reporting date:

	Expected return		Fair value of assets	
	2012/13 %	<b>2013/14</b> %	2012/13 £'000	<b>2013/14</b> £'000
Equity instruments	7.0	<b>7.0</b>	177,169	<b>234,032</b>
Government Bonds	2.8	<b>3.4</b>	37,874	<b>33,083</b>
Other Bonds	3.9	<b>4.3</b>	50,499	<b>43,132</b>
Property	5.7	<b>6.2</b>	37,874	<b>36,218</b>
Cash/ liquidity	0.5	<b>0.5</b>	9,258	<b>10,853</b>
Other assets	7.0	<b>4.3</b>	108,152	<b>44,659</b>
Average Return / Total Assets	5.90	<b>5.87</b>	420,826	<b>401,977</b>

The expected rates of return on categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

## 54. Contingent Assets

The following contingent asset has not been recognised in the CI&ES or on the Balance Sheet because the Council does not have full control over the outcome:

### Blythe Valley

The Council has retained a financial interest in land at Blythe Valley through an existing legal agreement with its development partner. Effectively, it has the right to a share of future land value receipts as and when individual plots of land are disposed of.

Disclosure of an estimate of value in the accounts may affect the negotiations in the sale of plots and be prejudicial to both the Council and its development partner's commercial interests. It might also lead to an expectation which would prejudice the working relationship with the Council's partner. For these reasons, no estimate of value has been disclosed.

## 55. Contingent Liabilities

The following items have not been accrued for within the accounts for 2013/14 because the amount of potential liability cannot be accurately determined:

### a. Grant Funded Projects

The Council has undertaken the Accountable Body role for a range of grant funded projects. These projects have been funded from a variety of grant regimes including European Union sources, Advantage West Midlands and New Opportunities Fund. There is a potential liability to the Council from non-delivery of outputs, ineligible expenditure or disposal of assets. To minimise the impact of these possible liabilities, the Council has introduced various controls and mechanisms such as service level agreements, asset registers and detailed expenditure verification and monitoring. In a situation where a Council liability is agreed, it will be disclosed and an appropriate provision made in the relevant year's accounts.

### b. Revocation of Personal Search fees

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued and in the current litigation the Council faces a claim plus interest and costs. The claimants have intimated they may also bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is also possible that additional claimants may come forward to submit claims for refunds.

### c. Business Rates Appeals

The provision for business rates appeals (see page 59) represents an amount expected to be required to fund successful appeals that have been lodged with the Valuation Office Agency as at 31st March 2014. Businesses within the borough are still able to lodge appeals in the future against their rateable value which, if successful, could reduce their bills retrospectively and result in further refunds of business rates above the rates included in the provision. The Council is unable to provide a reliable estimate of the liability that would need to be met as a result of appeals that have not yet been made, therefore no provision has been made in the accounts for this.

## 56. Trust Funds

There are 27 trust funds and various other funds that are administered by the council. These funds are not included within the balance sheet.

The total funds as at 31 March 2014 amounted to £1.946m (31 March 2013: £1.883m). The Knowle Streamside Trust totalling £0.256m is the largest trust, with the remaining £1.689m being held mainly on behalf of Social Service clients.

**57. Events after the Balance Sheet Date****a. Academy Schools**

Three of the Council's schools are due to transfer to Academy status following the Balance Sheet date of 31 March 2014. The associated land will be revalued resulting in an approximate charge to the accounts of £20.306m in 2014/15.

	<b>Buildings £000</b>	<b>Land £000</b>	<b>Total £000</b>
<u>Academy status from 1 April 2014:</u>			
Marston Green Infant School	3,706	443	4,149
<u>Academy status from 1 July 2014:</u>			
Smith's Wood Community Primary School	5,830	891	6,721
<u>Academy status from 1 September 2014:</u>			
Oaklands School	8,334	1,102	9,436
<b>Total</b>	<b>17,870</b>	<b>2,436</b>	<b>20,306</b>

**b. Pension Contributions 2014/15 - 2016/17**

On the 11th April 2014 the Council made a payment of £17.217m to the West Midlands Pension Fund. This payment represents past deficit contributions covering the period 2014/15 to 2016/17. Normally the Council pay contributions to the pension fund annually, however in making this payment the Council has made a saving of £1.222m through reduced interest charges. Full Cabinet approved the payment at their meeting on the 10th April 2014.

## 58. Statement of Accounting Policies

These are the rules and practices adopted by the Council that dictate how transactions and events are shown.

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2013/14 and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 Act. The accounting convention adopted in the Accounting Statement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. International Reporting Standard IAS 8 requires entities to disclose the expected impact of new standards that have been issued but not yet adopted and these have been included within the Notes to the Accounting Statement.

### 2. Accruals of Expenditure and Income

Activity is accounted for in the financial year that it takes place, not when money is paid or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. Acquired and Discontinued Operations

Activities are considered to be acquired only if they are taken on from outside the public sector. Activities are considered to be discontinued only if they cease entirely. They are not considered to be discontinued if they transfer to another public sector body. Any discontinued activities that are material to the accounts will be shown on the face of the CI&ES and prior period figures will be restated for comparison purposes.

### 4. Business Improvement District (BID)

BID projects are projects for the benefit of a particular area that are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers in the BID area. There are two key participants in the Solihull BID – the Council as the billing authority for the area and Solihull BID as the BID Body. The Council acts as the agent therefore neither the proceeds of the levy nor the payment to the BID Company are shown in the Council's accounts.

## 5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 1 month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 6. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service;

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (Minimum Revenue Provision).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of adjusting transactions with the Capital Adjustment Account in the MIRS.

## 7. Employee Benefits

### Benefits Payable during Employment:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the CI&ES. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, allocations are required to and from the Pensions Reserve to remove the notional accounting entries for pension enhancement termination benefits and replace them with accounting entries for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits:

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The Local Government Pensions Scheme, administered by Wolverhampton City Council;
- The National Health Service (NHS) Pension Scheme, administered by NHS Pensions Business Services Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

The Local Government Scheme is accounted for as a defined benefits scheme as follows:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices;
- The assets of WMMAPF attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CI&ES to the services for which the employees worked;
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Non Distributed Costs line in the CI&ES;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CI&ES;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Non Distributed Costs line in the CI&ES;
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pension Reserve in the MIRS;
- contributions paid to the WMMAPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are allocations to and from the Pensions Reserve to remove the notional accounting entries for retirement benefits and replace them with accounting entries for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 8. Exceptional Items and Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. A material error is one that could influence the decisions or assessments of users made on the basis of the financial statements. Prior period adjustments are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect.

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the CI&ES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## 9. Events after the Balance Sheet Date

These are events that have happened after the Balance Sheet date, 31 March 2014. There are two types of event (adjusting and non-adjusting) and the treatment within the accounts depends on the nature of the event.

An adjusting event is one that existed at the Balance Sheet date and has a material impact on the accounts. The accounts are adjusted where this type of event has taken place.

A non-adjusting event is one that is indicative of conditions that arose after the Balance Sheet date. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.

## 10. Financial Instruments

### Financial Assets:

The Council's financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and carried at amortised cost;
- Financial Assets at fair value through the CI&ES– assets that are held for trading by an external fund manager. These assets are accounted for in the Balance Sheet at fair value and any changes in value would be taken to the CI&ES;
- Available-for-Sale Assets - examples include equity shareholdings and quoted investments. These assets are carried at their fair value with movements in fair value are posted to a revaluation reserve (the Available for Sale Financial Instruments Reserve)

Annual credits to the CI&ES for interest receivable are based on the carrying amount of the instrument multiplied by its effective rate of interest.

The Council has made a number of loans at less than market rates (known as soft loans), principally to individuals under the Chronically Sick and Disabled Person Acts. The financial effect of this concession is charged to the CI&ES representing the interest foregone, over the life of the loan. Since statutory provisions require that the impact of soft loans on the General Fund Balance is limited to the actual interest receivable for the year, a transfer to or from the Financial Instruments Adjustment Account is made to cover the difference, in the MIRS.

Fixed or determinable payments such as interest receivable are credited to the CI&ES annually based on the amortised cost of the asset multiplied by the effective rate of interest. Other payments, such as dividends, are credited to the CI&ES when they become receivable.

Impairment of financial assets has been recognised where there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset.

In line with the PPE policy, the Council has set a de minimis level of £15,000 for the value of shares held. Any shares acquired at less than this value are not recognised on the Council's Balance Sheet.



**Financial Liabilities:**

These are initially measured at fair value and carried on the Balance Sheet at their amortised cost. Annual charges for interest payable are made to the CI&ES based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CI&ES in the year they occur. Any premium or discount arising on restructuring of the loan portfolio is respectively deducted from or added to the amortised cost of the new or modified loan and charged to the CI&ES over the life of the loan.

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CI&ES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement on Reserves Statement.

**11. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments;
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Capital Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or to Taxation and Non-Specific Grant Income (for non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants without conditions are credited to the CI&ES but have not yet been spent, if they have been earmarked for a specific purpose, they are appropriated out of the General Fund Balance to earmarked reserves in the MIRS.

## 12. Heritage Assets

Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

They are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations and can include historical buildings, historic motor vehicles, civic regalia, museum and gallery collections, statues and works of art.

Where the Council has information on the cost or value of a heritage asset the Council will include that value in its 2013/14 Balance Sheet, if it is above the £15,000 de minimis level for assets. Where this information is not available and the historical cost information cannot be obtained the asset can be excluded from the Balance Sheet.

Heritage assets (other than operational heritage assets) shall normally be included in the Balance Sheet at their current value. Where it is not practical to obtain a valuation at a reasonable cost, heritage assets are valued at cost. Where applicable the insurance valuation will be used for heritage asset valuation.

There will be no depreciation charged on the heritage assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation on the assets. Therefore, there is no change to the depreciation charged in the Accounting Statement in relation to the Council's heritage assets.

The Council does not have or require an active policy for the acquisition, preservation, management and disposal of heritage assets due to the insignificant number of material heritage assets. The material heritage assets are contained within public buildings and parks and therefore public access is permitted.

## 13. Infrastructure assets

Infrastructure assets are carried at depreciated historical cost although this will be reconsidered in future once the CIPFA project on infrastructure assets has been completed. They are currently depreciated over a life of 40 years, or a useful life verified by a qualified professional officer.

## 14. Intangible Assets

Expenditure on assets that do not have physical substance (e.g. software licenses) but are identifiable and controlled by the Council, is capitalised when it brings benefits to the Council for a period of more than one financial year. The balance is amortised to revenue on a systematic basis over the economic life of the assets.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CI&ES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CI&ES.

### **15. Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries and jointly controlled entities and is required to prepare group accounts. Subsidiaries are fully consolidated and jointly controlled entities are consolidated on an equity basis within the Council's group accounts.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments at cost, less any provision for known losses.

### **16. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **17. Investment Property**

Investment property is that which are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment property is measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment line in the CI&ES. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **18. Landfill Allowances**

Under the Waste and Emissions Trading Act 2003, local authorities were assigned tradeable landfill allowances which permitted them to landfill a certain tonnage of biodegradable municipal waste each year. The purpose was to reduce the landfilling of biodegradable municipal waste (BMW) so that the EU landfill diversion targets could be met.

The Landfill Allowances and Trading Scheme (LATS) in England came to an end in September 2013. England is on track to meet its landfill diversion targets and the allowance trading scheme was no longer deemed to be necessary. However, local authorities are still required to submit data on landfilling to the Environment Agency.

## 19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### (a) The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases with an original fair value over the capital de minimis level of £15,000, is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent rent increases (contingent rents) are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability;
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CI&ES).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by an additional revenue contribution in the General Fund Balance, by way of adjusting transactions with the Capital Adjustment Account in the MIRS.

#### Operating Leases

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

### (b) The Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, in line with the Council's policy on disposals.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

#### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CI&ES on a straight-line basis over the life of the lease.

## 20. Property Plant & Equipment

All expenditure on the acquisition, construction or improvement of tangible fixed assets is capitalised, provided that the asset brings benefit to the Council and the services it provides for longer than one financial year.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CI&ES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CI&ES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

The Council has set a de minimis level of £15,000. This means that any expenditure below this level that otherwise meets the definition of capital expenditure as outlined above can be charged to a revenue budget.

### Recognition of School Assets

School assets are carried on the balance sheet in accordance with the legal status of ownership.

### Valuation

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

The significant assumptions applied in estimating the fair values are:

- Fair Value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction';
- Fair value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;

- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many causes the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for Fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

The valuation basis used for the various property types is shown in the following table:

<b>Service Area</b>	<b>Operational / Non Operational</b>	<b>Basis of Valuation</b>
<b><u>HRA</u></b>		
- Housing Stock	Operational	Existing Use Value - Social Housing
- Hostels	Operational	Existing Use Value - Social Housing
- Offices, Community Centres	Operational	Fair Value
- Surplus Land	Non Operational	Fair Value
- Service Tenancies	Operational	Existing Use Value - Social Housing
- Leased Properties	Non Operational	Fair Value
- Additional properties not allocated to a beacon	Operational	Fair Value
<b><u>Education</u></b>		
<b><u>Schools</u></b>		
- School Buildings	Operational	Depreciated Replacement Cost
- School Playing Fields	Operational	Fair Value
<b><u>Voluntary Aided Schools</u></b>		
- School Buildings	Operational	Depreciated Replacement Cost
- School Playing Fields	Operational	Fair Value
<b><u>Education - Non School Assets</u></b>		
- i.e. Youth Centres and Nurseries	Operational	Combination of DRC and Fair Value depending on individual property
<b><u>Leisure</u></b>		
Leisure Centres	Operational	Depreciated Replacement Cost
<b><u>Cemeteries</u></b>		
Cemetery and Crematorium	Operational	Depreciated Replacement Cost
<b><u>Social Care Properties</u></b>		
Day Centres and Residential Care Homes	Operational	Combination of DRC and Fair Value depending on individual property
<b><u>Council Offices</u></b>	Operational	Fair Value
<b><u>Transport &amp; Highways</u></b>		
Multi Storey Car Parks	Operational	Depreciated Replacement Cost
Surface Car Parks	Operational	Fair Value
<b><u>Libraries</u></b>	Operational	Depreciated Replacement Cost

<b>Service Area</b>	<b>Operational / Non Operational</b>	<b>Basis of Valuation</b>
<b><u>Parks</u></b> Parks Buildings - changing rooms, attendants huts	Operational	Combination of DRC and Fair Value depending on individual property
<b><u>Investment Property</u></b>	Non Operational	Fair Value
<b><u>Industrial Units</u></b>	Non Operational	Fair Value
<b><u>Shops - North</u></b>	Non Operational	Fair Value
<b><u>Shops - South</u></b>	Non Operational	Fair Value

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All valuations have been carried out by our in-house valuers. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. The length of this life is determined at the point of acquisition or revaluation according to the following policy:

Assets acquired in the first half of a financial year are depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year.

Assets that are not fully constructed are not depreciated until they are brought into use.

Depreciation is calculated using the straight-line method, which charges an equal annual amount to the CI&ES, so that the asset's value is fully written down over its useful life.

From 2010/11 where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components can be depreciated separately and will be considered for componentisation. Any assets identified as requiring depreciation under component accounting policies are not depreciated under this methodology until the following financial year.

#### Asset Life – Remaining Life

Whilst an attempt is made to correctly identify each individual asset's useful life, there are some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified Royal Institution of Chartered Surveyors (RICS) or Chartered Institute of Building (CIB) Member.

Equipment and vehicles are depreciated over 5 years, plant over 12 years and infrastructure over 40 years, except for items of plant, equipment and vehicles that are held under a finance lease, which are depreciated over the length of the lease.

#### Residual Values – Depreciation

As the Council policy is to use building and equipment to the end of their useful life, it is the policy not to adopt residual values. Any IT equipment is recycled to schools or the voluntary sector. Any other equipment with a residual value would be insignificant. For these reasons residual values will not be adopted for the calculation of depreciation. The residual values of assets carried at historical cost (i.e. community and infrastructure assets) will not be material.

#### Impairments

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES.

Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale. In general, the following conditions must be met for an asset to be classified as held for sale:

- management is committed to a plan to sell;
- the asset is available for immediate sale ;
- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.



The assets need to be disposed of through sale. Therefore, assets that are expected to be scrapped or abandoned would not meet the definition.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

### Component Accounting

The policy has been developed following the requirement stipulated in the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code specifies the requirements for component accounting for the separate recognition, depreciation and derecognition of parts of assets under International Accounting Standard 16 (IAS 16) – Property, Plant & Equipment. Further best practice guidance has been adopted from the Local Authority Accounting Panel (LAAP) Bulletin 86 Componentisation of Property, Plant & Equipment. The adoption of this guidance has ensured compliance with The Code and appropriateness to the Council's specific circumstances.

Component accounting is where an asset has two or more significant identifiable components which in turn have substantially different lives; the asset should be treated as separate components and depreciated appropriately. For this purpose the asset is the non-land element recognised in the accounts.

A significant component is defined as one that has a significant value/cost when compared to the total cost of the asset as a whole but has a significantly shorter useful life and will require replacement at least on one occasion during the life of the asset.

The objective is to ensure that the financial value of the assets is fairly reflected in the Balance Sheet and that the income and expenditure account appropriately reflects the consumption of economic benefits inherent in those assets.

Componentisation only needs to be considered: it is not compulsory for all buildings; in the majority of cases it probably will not be necessary at all.

#### *De Minimis Levels for componentisation:*

The de minimis level of £2m has been set in 2013/14 for the Council for component accounting. Any asset valued below this will not be considered for componentisation. This threshold was set following consultation with the valuers and after undertaking statistical analysis that highlighted if component accounting was applied to all assets the depreciation would only vary by 0.09% of the current asset value. This de minimis level will be reviewed on an annual basis.

#### *Materiality Level of Assets:*

Groups of assets with similar characteristics that individually are below the de minimis level but when grouped together the value exceeds £2m will be considered for componentisation.

When these assets are grouped together and the enhancement expenditure is not readily identifiable to a specific asset and the enhancement expenditure in any specific year is below 10% of that assets total component value, the expenditure will be excluded for componentisation purposes.

*Componentisation Principles:*

The consideration of components is as a minimum required when one of the following triggers occurs:

- (i) Any asset in the revaluation programme for 2013/14;
- (ii) Properties that have undergone significant enhancement expenditure;
- (iii) Properties that have undergone a change of use that materially affects the value;
- (iv) Acquisition of a new asset.

The CIPFA document 'Valuations for Capital Accounting 2009' states that Authorities should not go to unnecessary expense in meeting the obligations of IFRS. This has been a key principle in adopting the chosen component accounting policy for the Council, given that none of the Council's current information systems could deliver the requirements of component accounting.

Where there is more than one significant component part of the same asset with the same useful life and similar method of depreciation, then such component parts will be grouped together for depreciation purposes.

*Base Components:*

The base components identified are based on the Use of Building Cost Information Services (BCIS) component life data and indices. This initial base information has been supplemented by Spon's Architects & Builders price book and in house expertise to estimate component percentages of the various assets.

The components identified are listed below:

Substructure;  
 Superstructure;  
 Internal Finishes;  
 Fittings & Furnishings;  
 Services;  
 External Works; and  
 Preliminaries.

Within a group of assets where no detailed component life is available and the asset has an identifiable useful life each component shall not have a life greater than the useful life of the asset.

*Trigger points for componentisation: Revaluation*

Desktop valuations would not trigger component accounting, as it is not sufficient to assess components (i.e. an additional exercise would be required). Usually a full valuation would be needed in order to assess components.

In adopting the CIPFA principles to calculate component accounting entries, we have reviewed guidance which recommends that consideration should be given to the allocation of the revaluation reserve across the recognised asset components. Our policy is that at this early stage in the development of our componentisation methodology and accounting policies that we do not consider this to be relevant or necessary given the rest of our accounting policy on componentisation. We will of course review this annually in line with the review of all accounting policies.

*Trigger points for componentisation: Enhancement*

Enhancement expenditure required to trigger componentisation for any specific component is where expenditure is greater than 15% of the value of the component.

Where a significant component is replaced or enhanced the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount. If the carrying value of the derecognised component is less than 5% of the value of the total component then this derecognition is considered immaterial and will be recognised when the asset is next valued in the regular cycle.

Where it is not possible to identify the cost of a replaced component, it is allowable to use the cost of the new component as an indication of what the cost of the replaced component was at the time it was acquired or constructed, adjusted for depreciation and impairment. Assuming this calculation is on a reasonable basis. If the component has exceeded its estimated life it will be assumed to be fully depreciated and have a carrying value of £nil.

*Professional Involvement:*

The principles and policies developed above have been produced and are supported by professional officers with Internal Valuers, Property Services, Building Design and the Asset Management and Accountancy teams of Solihull Community Housing. The relevant professionals, with the support of the BCIS & Spon's indices analysis, have determined the useful life of components for the various asset categories in the component accounting database. This will be periodically reviewed with the relevant professionals to ensure accuracy.

The final stage was the professionals agreement of the asset values over the various components. This dataset is contained within the component accounting database and will be reviewed periodically to ensure accuracy.

**21. Overheads**

The following two cost categories are separately defined in the Service Reporting Code of Practice (SERCOP) and accounted for as separate headings in the CI&ES as part of the Net Cost of Services:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation;
- Non Distributed Costs - past service costs relating to retirement benefits, the costs associated with any long-term unused but realisable assets and impairment losses on surplus assets held for disposal

All central support costs not covered by these two categories are fully allocated to services on a consistent and equitable basis in accordance with SERCOP.

**22. Service Concession Arrangements - Private Finance Initiatives (PFI), Public-Private Partnership (PPP) and similar contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CI&ES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- lifecycle replacement costs – a proportion of the amount payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## 23. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. Where practicable an estimate of the financial effect, an indication of the uncertainties relating to the timing of the outflow and the possibility of any reimbursement will be disclosed. However, if disclosure of some or all of the information required could be expected to prejudice seriously the position of the Council in a dispute with other parties, then the general nature of the dispute, recognition of the fact that information has been withheld together with the reason will be disclosed.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Where practicable an estimate of the financial effect will be disclosed. However, if disclosure of some or all of the information required could be expected to prejudice seriously the position of the Council in a dispute with other parties then the general nature of the dispute, recognition of the fact that information has been withheld together with the reason will be disclosed.

**24. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the CI&ES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**25. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the CI&ES in the year.

Where the Council has met the cost of this expenditure from existing capital resources or by borrowing, so that there is no impact on the level of council tax, the cost is subsequently reversed out from the CI&ES to the Capital Adjustment Account.

**26. Surplus Assets**

Surplus assets are assets that are surplus to service needs but do not meet the definition of either investment property or assets held for sale.

**27. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**28. Carbon Reduction Commitment**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The introductory phase of the scheme ended on 31st March 2014 with the Council being required to purchase and surrender allowances retrospectively, on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability was measured at the 2013/14 fixed price of £12 per tonne of carbon emitted and the best estimate of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the Council's Cost of Services and is apportioned to services on the basis of energy consumption.

**29. Reclassifiable Transactions Within Other Comprehensive Income and Expenditure**

As all the amounts included in Other Comprehensive Income and Expenditure are not reclassifiable in the Surplus or Deficit on the Provision of Services then the items within this account have not been grouped into amounts that may be reclassifiable and amounts that are not.



# Housing Revenue Account

## HRA Comprehensive Income and Expenditure Statement

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The Account is required to be self-financing and cannot be subsidised by the General Fund. The amounts included in the HRA differ from the amounts in respect of HRA services included in the CI&ES for the Council as a whole, which includes income and expenditure in accordance with the Code rather than in accordance with statute and non-statutory proper practices.

<b>31 March 2013</b>	<b>31 March 2014</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Expenditure</b>	
7,950	Repairs and maintenance	<b>8,357</b>
10,626	Supervision and management	<b>11,071</b>
708	Rents, rates, taxes and other charges	<b>719</b>
(66)	HRA subsidy payable	<b>0</b>
9,854	Depreciation and impairment of non-current assets	<b>10,128</b>
0	Revenue expenditure funded by capital under statute	<b>4</b>
110	Amortisation of intangible assets	<b>133</b>
73	Debt management costs	<b>70</b>
237	Movement in the allowance for bad debts	<b>542</b>
<b>29,492</b>	<b>Total Expenditure</b>	<b>31,024</b>
	<b>Income</b>	
(38,238)	Dwelling rents	<b>(39,833)</b>
(1,153)	Non-dwelling rents	<b>(1,122)</b>
(2,495)	Charges for services and facilities	<b>(2,505)</b>
(54)	Contributions towards expenditure	<b>(1,053)</b>
<b>(41,940)</b>	<b>Total Income</b>	<b>(44,513)</b>
<b>(12,448)</b>	<b>Net income from HRA services as included in the CI&amp;ES</b>	<b>(13,489)</b>
23	HRA services' share of Corporate and Democratic Core	<b>23</b>
<b>(12,425)</b>	<b>Net income for HRA services</b>	<b>(13,466)</b>
	<b>HRA share of the operating income and expenditure included in the CI&amp;ES:</b>	
(915)	Gain on sale of HRA non-current assets	<b>(839)</b>
7,616	Interest payable and similar charges	<b>7,577</b>
(58)	Interest and Investment Income	<b>(50)</b>
(183)	Capital grants and contributions receivable	<b>(407)</b>
<b>(5,965)</b>	<b>Surplus for the year on HRA services</b>	<b>(7,185)</b>

For the final Movement in Reserves position see the MIRS on page 11, and also Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations.



## Notes to the Housing Revenue Account

### 1. Housing Stock

On 31 March 2014 the Council held 10,074 dwellings. There was a net reduction of 33 dwellings during the year (47 sales and 14 acquisitions), compared to a reduction of 76 dwellings in 2012/13.

	31 March 2013	<b>31 March 2014</b>
Houses	3,366	<b>3,343</b>
Flats	4,912	<b>4,901</b>
Bungalows	1,758	<b>1,760</b>
Maisonettes	71	<b>70</b>
	<b>10,107</b>	<b>10,074</b>

### 2. Balance Sheet Value

The values of HRA land, dwellings and other property are detailed below:

	31 March 2013	<b>31 March 2014</b>
	£000	£000
Dwellings	271,977	<b>276,473</b>
Garages	14,247	<b>14,149</b>
Other Land and Buildings	2,002	<b>1,524</b>
Vehicles, Plant and Equipment	358	<b>284</b>
Assets Under Construction	234	<b>2,570</b>
Investment Property	1,301	<b>1,301</b>
	<b>290,119</b>	<b>296,301</b>

### 3. Vacant Possession Value of Dwellings

As at 1 April 2013 the vacant possession value of dwellings within the Council's HRA was £791.582m, valued in accordance with the Guidance on Stock Valuation for Resource Accounting. The difference between this figure and the £271.977m valuation included within the Balance Sheet shows the economic and social cost to the Government of providing Council Housing.

### 4. Major Repairs Reserve

The movement on the Major Repairs Reserve is detailed below:

	2012/13	<b>2013/14</b>
	£000	£000
Balance at 1 April	(1,547)	<b>(1,282)</b>
Contributions to the Major Repairs Reserve	(9,914)	<b>(10,182)</b>
Capital spending on dwellings	10,179	<b>9,633</b>
<b>Balance at 31 March</b>	<b>(1,282)</b>	<b>(1,831)</b>

## 5. Capital Financing

	2012/13 £000	2013/14 £000
<b>Expenditure on Capital during the year</b>		
Council Dwellings	10,982	13,236
Other Land and Buildings	12	0
Vehicles, Plant and Equipment	104	60
Intangible Assets	202	168
Assets Under Construction	173	2,508
Revenue expenditure funded by capital under statute (REFCUS)	0	4
<b>Total</b>	<b>11,473</b>	<b>15,976</b>
<b>Funded by:</b>		
Unsupported Borrowing	0	1,338
Usable Capital Receipts	739	701
Capital Grants and Contributions	299	408
Revenue and Reserve Contributions	256	3,896
Major Repairs Reserve	10,179	9,633
<b>Total</b>	<b>11,473</b>	<b>15,976</b>

## 6. Capital Receipts

Gross capital receipts of £2.602m were generated from the sale of land and houses during 2013/14. The position is summarised as follows;

<b>Capital Receipts</b>	2012/13 £000	2013/14 £000
Sale of Council Dwellings	(1,818)	(2,479)
Sale of Land	0	(120)
Discounts repaid	0	(3)
	(1,818)	(2,602)
Less:		
Pooling contributions	907	1,153
Administration Costs	44	61
<b>Total</b>	<b>(867)</b>	<b>(1,388)</b>

## 7. HRA Depreciation and Impairment

The depreciation and impairment charged to the HRA in 2013/14 is shown below:

	2012/13 £000	2013/14 £000
Dwellings	8,540	8,773
Garages	962	1,187
Other Land and Buildings	33	34
Equipment	247	134
<b>sub-total Depreciation</b>	<b>9,782</b>	<b>10,128</b>
Revaluation losses	72	0
<b>Total Depreciation and Impairment</b>	<b>9,854</b>	<b>10,128</b>

## 8. Amortisation

The charge to the HRA in 2013/14 in respect of the amortisation of intangible assets was £0.133m (2012/13: £0.110m)

## 9. Impairments

Under Resource Accounting, the value of stock has to be verified each year. This process identifies any impairment to be recorded in the accounts. No impairment was written back to the Revaluation Reserve during 2013/14.

## 10. Rent Arrears

Rent arrears are the amount of rent owed to the Council. Housing benefit overpayments, court costs, repairs and planned maintenance costs have been excluded.

Date	Total Rent Arrears £000	% of total income due in year %
At 31 March 2013	1,343	2.96
<b>At 31 March 2014</b>	<b>1,538</b>	<b>3.26</b>

## 11. Housing Bad Debt Provision

The Council puts aside money to allow for the possibility that the outstanding rent arrears (as detailed in HRA note 10) and other HRA arrears will never be paid. That money is known as the Housing Bad Debt Provision in accordance with the Code. The movement between year end balances is shown below:

	2012/13 £000	2013/14 £000
Balance at 1 April	(1,326)	(1,350)
Arrears reinstated	(15)	(28)
Contribution to provision	(237)	(542)
Net write offs	228	196
Balance at 31 March	<b>(1,350)</b>	<b>(1,724)</b>

## 12. HRA Subsidy

The HRA subsidy receivable by the Council during the year is detailed in the following table:

	2012/13 £000	2013/14 £000
Adjustment re prior year subsidy	(66)	0
<b>Total</b>	<b>(66)</b>	<b>0</b>

2011/12 was the final year of the Housing Revenue Account Subsidy system. Housing Revenue Account Self-Financing took effect from 1 April 2012. The credit balance in 2012/13 arose as a result of the final HRA subsidy reconciliation.

### 13. HRA Self Financing

The main principle behind HRA self-financing is that if landlords implement guideline rent increases, have average levels of management and maintenance costs and manage their borrowing costs well, they should have sufficient resources to cover their capital investment needs when calculated over a 30-year period.

In 2011/12, the Government's Self –Financing Determination resulted in the Council taking on a further £69.566m of HRA debt in exchange for being released from the subsidy system. Taking advantage of the special lower interest rate for new loans available for this purpose, the Council used Public Works Loans Board (PWLB) loans to finance the settlement payment which was made to the Secretary of State on 28 March 2012.

The borrowing taken during 2011/12 is recognised on the Council's Balance Sheet, the related interest charge of £7.577m in 2013/14 (2012/13: £7.616m), has been included in the Comprehensive Income & Expenditure Account.

# Collection Fund

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

<b>Collection Fund Income and Expenditure Statement</b>						
<b>2012/13</b>				<b>2013/14</b>		
<b>Council Tax</b>	<b>Business Rates</b>	<b>Total Collection Fund</b>		<b>Council Tax</b>	<b>Business Rates</b>	<b>Total Collection Fund</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>						
(93,381)	(105,624)	<b>(199,005)</b>	Income receivable (net of benefits and reliefs)	(96,366)	(105,861)	<b>(202,227)</b>
(13,660)	0	<b>(13,660)</b>	Council tax benefits transferred from General Fund	0	0	<b>0</b>
0	0	<b>0</b>	Transitional protection payments	0	870	<b>870</b>
<b>(107,041)</b>	<b>(105,624)</b>	<b>(212,665)</b>		<b>(96,366)</b>	<b>(104,991)</b>	<b>(201,357)</b>
<b>Expenditure</b>						
<u>Precepts:</u>						
95,192	0	<b>95,192</b>	Solihull MBC	83,867	0	<b>83,867</b>
7,956	0	<b>7,956</b>	West Midlands Police & Crime Commissioner	7,221	0	<b>7,221</b>
3,826	0	<b>3,826</b>	West Midlands Fire & Rescue Authority	3,723	0	<b>3,723</b>
<u>2013/14 Proportionate shares:</u>						
0	0	<b>0</b>	Solihull MBC	0	54,954	<b>54,954</b>
0	0	<b>0</b>	Central Government	0	56,076	<b>56,076</b>
0	0	<b>0</b>	West Midlands Fire & Rescue Authority	0	1,121	<b>1,121</b>
0	104,581	<b>104,581</b>	2012/13 payment to national pool	0	0	<b>0</b>
0	242	<b>242</b>	Costs of collection	0	242	<b>242</b>
0	13	<b>13</b>	Interest on repayments	0	4	<b>4</b>
<u>Bad and doubtful debts:</u>						
315	1,451	<b>1,766</b>	Write off of bad and doubtful debts	375	252	<b>627</b>
120	(663)	<b>(543)</b>	Provision for bad and doubtful debts	73	478	<b>551</b>
0	0	<b>0</b>	Provision for business rate appeals	0	3,160	<b>3,160</b>
<b>107,409</b>	<b>105,624</b>	<b>213,033</b>		<b>95,259</b>	<b>116,287</b>	<b>211,546</b>
<b>368</b>	<b>0</b>	<b>368</b>	<b>(Surplus) / Deficit for the year</b>	<b>(1,107)</b>	<b>11,296</b>	<b>10,189</b>

<b>Analysis of Collection Fund (Surplus) / Deficit</b>			
<b>2012/13</b>	<b>2013/14</b>		
<b>Council Tax £000</b>	<b>Council Tax £000</b>	<b>Business Rates £000</b>	<b>Total Collection Fund £000</b>
(207) Opening balance brought forward 1 April	436	0	436
245 Transfer to General Fund	(61)	0	(61)
30 Transfers to Police and Fire	(7)	0	(7)
68 Brought forward balance after transfers	368	0	368
368 (Surplus)/ Deficit for the year	(1,107)	11,296	10,189
<b>436 Closing balance at 31 March</b>	<b>(739)</b>	<b>11,296</b>	<b>10,557</b>
<b>Allocated to:</b>			
388 Solihull MBC	(651)	5,535	4,884
Central Government	0	5,648	5,648
33 West Midlands Police & Crime Commissioner	(57)	0	(57)
15 West Midlands Fire & Rescue Authority	(31)	113	82
<b>436</b>	<b>(739)</b>	<b>11,296</b>	<b>10,557</b>

The deficit on Business Rates for 2013/14 is largely due to a number of successful appeals to Rateable Value which has resulted in both refunds being given in relation to prior years alongside a lower than anticipated income for 2013/14.

Any surplus or deficit on the Collection Fund is charged to the Council and relevant parties' accounts in future years so there is no cost to the Council in 2013/14 for this deficit. (The Council's share of the deficit has been charged to the CI&ES by reducing the non-domestic rate income receivable however this impact has been offset in the MIRS by a transfer to the Collection Fund Adjustment Account.)

The deficit will be charged to the Council (via a charge from the Collection Fund Adjustment Account) over the next 4 years in line with statutory arrangements and this cost has been dealt with in the Council's current Medium Term Financial Strategy.

## Notes to the Collection Fund

### 1. Council Tax

At the beginning of the year, the Council calculates the level of council tax required to pay for its services. The amount of tax paid by local residents is based on the value of their property adjusted for any discounts or exemptions that apply. There are eight property valuation bands: A to H.

The council tax base, which represents the number of domestic properties in the borough expressed as equivalent to Band D properties, is broken down as follows for 2013/14:

Band	Number of dwellings on Valuation List	Number of dwellings for council tax purposes (net of collection rate)	Multiplier	Number of dwellings as Band D equivalents
A	13,933	6,552	6/9	4,368
B	11,594	7,135	7/9	5,549
C	21,670	16,456	8/9	14,628
D	16,184	13,516	9/9	13,516
E	11,397	10,142	11/9	12,396
F	8,649	7,938	13/9	11,466
G	5,165	4,789	15/9	7,982
H	332	297	18/9	594
<b>Total Band D equivalents (tax base)</b>	<b>88,924</b>	<b>66,825</b>		<b>70,499</b>

The level of council tax paid by a Band D property is calculated by dividing the total amount that the Council needs to raise from council tax by the tax base and assuming a 98.75% collection rate. This is converted to the amount payable by properties in other bands by applying the multiplier given in the table above. In 2013/14, the Council set a band D equivalent council tax of £1,328.97 (including Police and Fire precepts).

The actual number of Band D equivalents in 2013/14, after the contribution to the bad debt provision, was 71,322. The actual number of Band D equivalents was higher than the anticipated council tax base resulting in a council tax surplus in the year of £1.107m (2012/13: 0.368m deficit).

With effect from 1 April 2013 council tax benefit has been replaced with a localised system of council tax support. Under the old system, council tax income which was funded through benefit was included within council tax income in the Collection Fund. However, under the new system, households claiming council tax support are partly or wholly excluded from the council tax billing process. The Council's tax base is reduced accordingly, leading to a decrease in council tax income receivable and a decrease in the precept paid to Solihull MBC.

### 2. Business Rates

Prior to the introduction of the Business Rates Retention Scheme on 1 April 2013, local authorities paid all non-domestic rates collected from local businesses into a national pool, which was then redistributed by Central Government on a formula basis. With effect from 1 April 2013, a proportionate share (49%) of non-domestic rates collected by the Council are retained. This share, less the tariff paid to the government and the Council's share of the deficit is shown in the CI&ES.

Central government (50%) and the West Midlands Fire & Rescue Authority (1%) also receive a proportionate share of the non-domestic rates receivable.

The Government determines the level of business rates payable, which was set at 47.1 pence per pound of rateable value in 2013/14 (2012/13: 45.8 pence). There is also a Small Business Rate multiplier which was set at 46.2 pence per pound of rateable value in 2013/14 (2012/13: 45.0 pence). The Valuation Office Agency sets the rateable value of each property. As at 31 March 2014, the total rateable value for properties in Solihull was £256.765m. (31 March 2013: £259.345m).



# Group Accounts

## Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2013/14 and are included on the following pages. The organisations which are included within our group accounts are Solihull Community Housing Ltd, Coventry and Solihull Waste Disposal Company Ltd and Blythe Valley Innovation Centre Ltd.

Solihull Community Housing, an arms length company set up to manage the Council's housing stock was formed on the 1 April 2004 as a wholly owned subsidiary of the Council and its accounts have been consolidated into the group accounts on a line by line basis.

Blythe Valley Innovation Centre Ltd was set up in 2000, as a joint venture with Blythe Valley JV Sarl, in order to promote business enterprise. In July 2013, the Council acquired the shares of Blythe Valley JV Sarl, thereby becoming the sole shareholder in the business. The accounts of the Company have therefore been consolidated into the group accounts 2013/14 on a line by line basis, prior to this the Council's interest had been consolidated under the equity method.

The Council's interest in Coventry and Solihull Waste Disposal Company Ltd whose business is the disposal of waste is set out in Note 19b. This interest has been consolidated into the group accounts under the equity method.

## Group Movement in Reserves Statement (MIRS)

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, together with the movement in the Council's share of those entities in which it has a financial interest.

<b>2013/14</b>	Total Council Usable Reserves * £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
<b>Balance at 1 April 2013 brought forward</b>	<b>(81,782)</b>	<b>(258,565)</b>	<b>(340,347)</b>	<b>(257)</b>	<b>(340,604)</b>
(Surplus) or deficit on the provision of services	11,855	0	<b>11,855</b>	498	12,353
Other comprehensive income and expenditure	0	(98,359)	<b>(98,359)</b>	13,509	(84,850)
<b>Total comprehensive income and expenditure</b>	<b>11,855</b>	<b>(98,359)</b>	<b>(86,504)</b>	<b>14,007</b>	<b>(72,497)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(22,163)	22,163	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(10,308)</b>	<b>(76,196)</b>	<b>(86,504)</b>	<b>14,007</b>	<b>(72,497)</b>
Transfers to/(from) Earmarked Reserves	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/decrease in 2013/14</b>	<b>(10,308)</b>	<b>(76,196)</b>	<b>(86,504)</b>	<b>14,007</b>	<b>(72,497)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(92,090)</b>	<b>(334,761)</b>	<b>(426,851)</b>	<b>13,750</b>	<b>(413,101)</b>

<b>2012/13</b>	Total Council Usable Reserves * £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
<b>Balance at 1 April 2012 brought forward</b>	<b>(74,788)</b>	<b>(349,208)</b>	<b>(423,996)</b>	<b>(4,133)</b>	<b>(428,129)</b>
(Surplus) or deficit on the provision of services	<b>33,943</b>	0	<b>33,943</b>	(381)	33,562
Other comprehensive income and expenditure	0	49,706	<b>49,706</b>	4,257	53,963
<b>Total comprehensive income and expenditure</b>	<b>33,943</b>	<b>49,706</b>	<b>83,649</b>	<b>3,876</b>	<b>87,525</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(40,937)	40,937	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(6,994)</b>	<b>90,643</b>	<b>83,649</b>	<b>3,876</b>	<b>87,525</b>
Transfers to/(from) Earmarked Reserves	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/decrease in 2012/13</b>	<b>(6,994)</b>	<b>90,643</b>	<b>83,649</b>	<b>3,876</b>	<b>87,525</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(81,782)</b>	<b>(258,565)</b>	<b>(340,347)</b>	<b>(257)</b>	<b>(340,604)</b>

\* Further details of Total Council Usable Reserves can be found within the Council's Single Entity Movement in Reserves Statement from page 11 onwards.

## Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure figures of the Council with the Council's share of the operating results of those entities in which it has a financial interest. together with the movement in the Council's share of those entities in which it has a financial interest.

31/03/2013 Restated *			31 March 2014		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
78,487	(22,713)	55,774	77,711	(17,047)	60,664
6,456	(4,201)	2,255	4,810	(3,464)	1,346
202,642	(146,714)	55,928	201,839	(144,790)	57,049
12,167	(3,957)	8,210	10,624	(2,673)	7,951
19,204	(6,655)	12,549	17,960	(6,153)	11,807
26,531	(7,366)	19,165	23,254	(5,974)	17,280
30,071	(42,204)	(12,133)	33,032	(45,075)	(12,043)
62,749	(60,380)	2,369	61,723	(59,982)	1,741
6,313	(6,515)	(202)	10,031	(9,734)	297
11,748	(5,687)	6,061	9,940	(3,933)	6,007
6,536	(1,855)	4,681	4,910	(848)	4,062
206	(531)	(325)	264	(937)	(673)
0	(1,969)	(1,969)	0	(2,361)	(2,361)
<b>463,110</b>	<b>(310,747)</b>	<b>152,363</b>	<b>456,098</b>	<b>(302,971)</b>	<b>153,127</b>
		<b>Cost Of Services</b>			
		1,297			1,121
		11,531			11,069
		907			1,153
		5,159			(863)
		<b>18,894</b>			<b>12,480</b>
		10,677			10,317
		206			204
		5,673			5,779
		2			0
		8,279			9,320
		(577)			(464)
		(444)			(3,204)
		(87)			0
		11,157			(5,618)
		(4,514)			(4,417)
		321			268
		509			505
		<b>31,202</b>			<b>12,690</b>
		(94,865)			(84,844)
		(49,837)			(24,380)
		(14,515)			(43,497)
		(9,680)			(13,223)
		<b>(168,897)</b>			<b>(165,944)</b>
		<b>33,562</b>			<b>12,353</b>
		5,773			(50,573)
		1,986			460
		47,079			(31,071)
		(875)			(3,666)
		<b>53,963</b>			<b>(84,850)</b>
		<b>87,525</b>			<b>(72,497)</b>

\* Restatements have been made to Gross Service expenditure, Pension interest costs and Actuarial losses on pension assets/liabilities due to the implementation of a revised IAS19. Further details can be found within Note 1 - Prior Period Adjustments and Note 53 - Defined Benefit Pension Schemes.

## Group Balance Sheet

The Group Balance Sheet shows as at 31 March the assets and liabilities of the Group, and combines the Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

<b>31 March 2013 £000</b>		<b>31 March 2014 £000</b>
771,787	Property, Plant and Equipment	811,626
950	Heritage Assets	950
79,082	Investment Property	87,587
772	Intangible Assets	867
30,254	Long Term Investments	17,062
14,906	Investments in Associates and Joint Ventures	14,291
1,607	Long Term Debtors	1,609
<b>899,358</b>	<b>Long Term Assets</b>	<b>933,992</b>
9,688	Short Term Investments	17,951
559	Inventories	698
18,457	Short Term Debtors	24,676
6,517	Cash and Cash Equivalents	10,349
2,901	Payments In Advance	4,193
53	Carbon Allowances	0
<b>38,175</b>	<b>Current Assets</b>	<b>57,867</b>
(5,923)	Bank Overdraft	(8,107)
(5,092)	Short Term Borrowing	(8,342)
(42,935)	Short Term Creditors	(36,275)
(2,092)	Short Term Provisions	(1,857)
(9,512)	Receipts in Advance	(13,879)
<b>(65,554)</b>	<b>Current Liabilities</b>	<b>(68,460)</b>
(57)	Long Term Creditors	0
(2,332)	Long Term Provisions	(2,836)
(228,574)	Long Term Borrowing	(227,485)
(231,827)	Net Pensions Liability	(212,911)
(66,232)	Other Long Term Liabilities	(63,652)
(2,353)	Capital Grants Receipts in Advance	(3,414)
<b>(531,375)</b>	<b>Long Term Liabilities</b>	<b>(510,298)</b>
<b>340,604</b>	<b>Net Assets</b>	<b>413,101</b>

## Group Balance Sheet (continued)

31 March 2013 £000		31 March 2014 £000
(15,796)	General Fund Working Balance	(13,561)
(3,653)	General Fund Earmarked Balance	(3,271)
(42,450)	Specific Revenue Reserves	(52,023)
(7,038)	Housing Revenue Account (HRA)	(8,901)
(1,536)	Capital Receipts Reserve	(2,589)
(1,282)	Major Repairs Reserve	(1,831)
(8,830)	Capital Grants Unapplied Account	(9,196)
<b>(80,585)</b>	<b>Usable reserves</b>	<b>(91,372)</b>
(103,966)	Revaluation Reserve	(149,216)
(9,686)	Available for Sale Financial Instruments Reserve	(9,686)
(366,245)	Capital Adjustment Account	(365,884)
(604)	Financial Instruments Adjustment Account (FIAA)	(437)
231,827	Pensions Reserve	212,911
388	Collection Fund Adjustment Account	4,884
3,365	Accumulated Absences Account	2,495
(1,200)	Capital Redemption Reserve	(2,400)
835	Share of Pension Reserve - Joint Ventures	841
(7,574)	Share of Revaluation Reserve - Joint Ventures	(7,286)
(3,014)	Share of Profit and Loss Account - Joint Ventures	(2,871)
(4,145)	Profit and Loss Reserve - Subsidiaries	(5,080)
<b>(260,019)</b>	<b>Unusable Reserves</b>	<b>(321,729)</b>
<b>(340,604)</b>	<b>Total Reserves</b>	<b>(413,101)</b>

## Group Cash Flow Statement

The Group Cashflow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

<b>31 March 2013 Restated * £000</b>	<b>31 March 2014 £000</b>
33,562 Net group deficit on the provision of services	12,353
1,125 Adjustments for movements of joint ventures not within group	1,364
<hr/> 34,687 Net deficit relating to SMBC	<hr/> 13,717
(77,192) Adjustments to net surplus or deficit on the provision of services for non cash movements (note 1 to the Group Accounts)	(50,032)
5,882 Adjustments for items in the net surplus or deficit on the provision of services that are investing and financial activities	12,501
<hr/> (36,623) Net cash flows from operating activities	<hr/> (23,814)
25,555 Investing activities (note 3 to the Group Accounts)	17,840
9,915 Financing activities (note 4 to the Group Accounts)	4,325
<hr/> (1,153) Net increase in cash and cash equivalents	<hr/> (1,649)
(559) Cash and cash equivalents at the beginning of the reporting period	594
<hr/> <b>594</b> Cash and cash equivalents at the end of the reporting period	<hr/> <b>2,243</b>

\* The Adjustments to net deficit on the provision of services for non cash movements and Adjustments for items in the net deficit on the provision of services that are investing and financial activities have been restated to account for the changes to accounting for Pension costs detailed in Note 1. These changes net off within the cash flow statement and there is no resulting change to Net cash flows from operating activities.

## Notes to the Council's Group Accounts

**1. Cash Flow Statement - Adjustments to net deficit on the provision of services for non cash movements**

2012/13 £000	2013/14 £000
(30,618) Depreciation	(34,604)
(12,035) Impairments and revaluations	(11,175)
(1,035) Amortisation	(438)
(7,578) Movement in pension liability	(12,186)
(9,578) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,756)
(11,157) Changes in fair value of investment properties	5,618
(1,281) Increase/(decrease) in debtors	8,933
(17) Increase/(decrease) in interest debtors	102
(283) (Increase)/decrease in bad debt provision	(985)
(2,677) (Increase)/decrease in creditors	(1,286)
75 (Increase)/decrease in interest creditors	(206)
(33) Increase/(decrease) in inventories	139
(917) Other non-cash items charged to the net surplus/deficit on the provision of services	(188)
(58) Adjustments relating to group accounts	0
<b>(77,192)</b>	<b>(50,032)</b>

**2. Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

2012/13 £000	2013/14 £000
(587) Interest received	(374)
16,630 Interest paid	15,317
(444) Dividends received	(3,204)
<b>15,599</b> Included within cash flow from Operating Activities	<b>11,739</b>

**3. Cash Flow Statement - Investing Activities**

2012/13 £000	2013/14 £000
25,673 Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	35,999
9,000 Purchase of Short Term and Long Term Investments	10,222
11,402 Other payments for Investing Activities	7,112
(3,741) Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(3,395)
(3,559) Capital grants received	(15,611)
(13,160) Proceeds from Short Term and Long Term Investments	(16,428)
(60) Other receipts from Investing Activities	(59)
<b>25,555</b> Net cash flows from Investing Activities	<b>17,840</b>



**4. Cash Flow Statement - Financing Activities**

2012/13 £000		2013/14 £000
0	Cash receipts of short- and long-term borrowing	(6,500)
4,134	Other movements from financing activities	3,527
2,745	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	3,401
3,036	Repayments of Short Term and Long Term Borrowing	3,897
<b>9,915</b>	<b>Net cash flows from Financing Activities</b>	<b>4,325</b>

**5. Subsidiaries**Solihull Community Housing Ltd (SCH)

SCH has operated as an arms length company managing the Council's housing stock since 1st April 2004.

SCH has not incurred any contingent liabilities during the last financial year.

As at 31 March 2014 SCH, as a separate entity, had no outstanding capital commitments other than those included within the HRA (£0.000m at 31 March 2013).

Blythe Valley Innovation Centre Ltd (BVIC)

BVIC operated since 2000 as a joint venture with BV JV Sarl in order to promote business enterprise. In July 2013 the Council acquired the shares of BV JV Sarl and became the sole shareholder in the Company.

BVIC has not incurred any contingent liabilities during the last financial year.

As at 31 March 2014 BVIC, as a separate entity, had no outstanding capital commitments other than those reported within the Council's accounts (note 10).

**6. Joint Ventures**Coventry & Solihull Waste Disposal Company Ltd (CSWDC)

The Council's interest in CSWDC is identified in Note 19b - Available for Sale Financial Assets.

The Council (as Reporting Authority) has not incurred any Contingent Liabilities in relation to its interest in Joint Ventures, either in its own right or jointly with our venturers. CSWDC have declared no contingent liabilities which the Council (as Reporting Authority) are contingently liable.

The Council (as Reporting Authority) does not have any capital commitments in relation to its interest in CSWDC. The Company has declared no capital commitments that would impact on the Council (as reporting Authority) at 31 March 2014 (£0.227m at 31 March 2013).

## 7. Group Amounts Reported for Resource Allocation Decisions

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the Group CI&ES.

Gross figures for the Council's subsidiary companies (Solihull Community Housing Ltd and Blythe Valley Innovation Centre Ltd), and the Council's share of its Joint Venture (Coventry and Solihull Waste Disposal Company Ltd) have been included in this reconciliation.

2013/14	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&E net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(94,588)	(1,499)	6,214	<b>(89,873)</b>	0	<b>(89,873)</b>
Interest and investment income	(4,297)	0	4,297	<b>0</b>	(3,668)	<b>(3,668)</b>
Income from council tax and non-domestic rates	0	0	0	<b>0</b>	(109,224)	<b>(109,224)</b>
Government grants and contributions	(214,061)	0	3,324	<b>(210,737)</b>	(56,720)	<b>(267,457)</b>
Rent received on investment properties	0	0	0	<b>0</b>	(4,417)	<b>(4,417)</b>
Share of operating results of joint ventures	0	(2,361)	0	<b>(2,361)</b>	0	<b>(2,361)</b>
<b>Total Income</b>	<b>(312,946)</b>	<b>(3,860)</b>	<b>13,835</b>	<b>(302,971)</b>	<b>(174,029)</b>	<b>(477,000)</b>
Employee expenses	170,617	11,648	0	<b>182,265</b>	9,320	<b>191,585</b>
Other service expenses	244,197	(832)	(12,973)	<b>230,392</b>	0	<b>230,392</b>
Support Service recharges	(2,736)	0	0	<b>(2,736)</b>	0	<b>(2,736)</b>
Depreciation, amortisation, impairment and revaluation losses	0	46,177	0	<b>46,177</b>	0	<b>46,177</b>
Interest Payments	24,426	0	(24,426)	<b>0</b>	16,300	<b>16,300</b>
Precepts & Levies	0	0	0	<b>0</b>	12,190	<b>12,190</b>
Payments to Housing Capital Receipts Pool	0	0	0	<b>0</b>	1,153	<b>1,153</b>
Investment property expenses and changes in fair value	0	0	0	<b>0</b>	(5,350)	<b>(5,350)</b>
Gain or Loss on Disposal of Non-Current Assets	0	0	0	<b>0</b>	(863)	<b>(863)</b>
Share of taxation of joint ventures	0	0	0	<b>0</b>	505	<b>505</b>
<b>Total expenditure</b>	<b>436,504</b>	<b>56,993</b>	<b>(37,399)</b>	<b>456,098</b>	<b>33,255</b>	<b>489,353</b>
Transfer to/(from) Reserves	18,548	(10,802)	(7,746)	<b>0</b>	0	<b>0</b>
<b>Surplus or deficit on the provision of services</b>	<b>142,106</b>	<b>42,331</b>	<b>(31,310)</b>	<b>153,127</b>	<b>(140,774)</b>	<b>12,353</b>

## Reconciliation to Subjective Analysis

2012/13 Comparative Figures (restated)	Cabinet Analysis £000	Amounts not reported to management for decision making <sup>1</sup> £000	Amounts not included in CI&E net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(97,217)	(794)	4,514	(93,497)	0	(93,497)
Interest and investment income	(2,831)	0	2,831	0	(1,108)	(1,108)
Income from council tax	0	0	0	0	(94,865)	(94,865)
Government grants and contributions	(228,830)	0	13,549	(215,281)	(74,032)	(289,313)
Rent received on investment properties	0	0	0	0	(4,514)	(4,514)
Share of operating results of joint ventures	0	(1,969)	0	(1,969)	0	(1,969)
<b>Total Income</b>	<b>(328,878)</b>	<b>(2,763)</b>	<b>20,894</b>	<b>(310,747)</b>	<b>(174,519)</b>	<b>(485,266)</b>
Employee expenses	172,887	3,783	0	176,670	8,279	184,949
Other service expenses	244,032	17,748	(17,268)	244,512	0	244,512
Support Service recharges	(1,760)	0	0	(1,760)	0	(1,760)
Depreciation, amortisation and impairment	0	43,688	0	43,688	0	43,688
Interest Payments	26,558	0	(26,558)	0	16,558	16,558
Precepts & Levies	0	0	0	0	12,828	12,828
Payments to Housing Capital Receipts Pool	0	0	0	0	907	907
Investment properties - expenses and changes in fair value	0	0	0	0	11,478	11,478
Loss on Disposal of Non-Current Assets	0	0	0	0	5,159	5,159
Share of taxation of joint ventures	0	0	0	0	509	509
<b>Total expenditure</b>	<b>441,717</b>	<b>65,219</b>	<b>(43,826)</b>	<b>463,110</b>	<b>55,718</b>	<b>518,828</b>
Transfer to/(from) Reserves	19,743	(3,821)	(15,922)	0	0	0
<b>Surplus or deficit on the provision of services</b>	<b>132,582</b>	<b>58,635</b>	<b>(38,854)</b>	<b>152,363</b>	<b>(118,801)</b>	<b>33,562</b>

<sup>1</sup> Amounts not reported for decision making have been restated to account for the changes to accounting for Pension costs, further details can be found within the Prior Period Adjustments note on page 24.

## Reconciliation of Cabinet Income and Expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of cabinet income and expenditure relate to the amounts included in the Group CI&ES

	2012/13	2013/14
	£000	£000
<b>Net expenditure in the Cabinet Analysis</b>	132,582	<b>142,106</b>
Amounts in the CI&ES not reported to management in the Analysis	58,635	<b>42,331</b>
Amounts included in the Analysis not included in the CI&ES	(38,854)	<b>(31,310)</b>
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>152,363</b>	<b>153,127</b>

# Independent Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLIHULL METROPOLITAN BOROUGH COUNCIL**

### **Opinion on the financial statements**

We have audited the financial statements of Solihull Metropolitan Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, and Collection Fund and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Solihull Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Resources and auditor**

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Solihull Metropolitan Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Solihull Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

### **Certificate**

We certify that we have completed the audit of the financial statements of Solihull Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Phil Jones**

**Director**

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT

26 September 2014



# Glossary

## **Glossary**

This glossary is an explanation of terms used throughout this document.

### **Academy**

A school who choose to opt out of local authority's control and maintain their own funding.

### **Accounting Standards**

International Accounting Standards (IAS) are the accounting standards that local authorities are required to follow when producing their financial statements.

International Financial Reporting Standards (IFRS) apply to Local Government from 1 April 2009 for service concessions (PFI/PPP) and from 1 April 2010 for other areas.

### **Accruals**

An accounting principle that recognises income and expenditure as they are earned or incurred, not as money is received or paid.

### **Actuarial Assumptions**

Predictions made for factors that will affect the financial position of the pension scheme.

### **Amortisation**

The measure of the consumption of an intangible asset over its useful life.

### **Asset**

An item that is owned by and can be used by the Council.

A current asset is held for a short period of time, for example cash in the bank, stocks and debtors. In contrast, a fixed asset such as land, buildings or vehicles is used by the Council over a longer period of time (i.e. more than 1 year)

### **Bad Debt Provision**

Bad debts are amounts owed to the Council which it does not believe will be repaid. The Council makes a provision for the amount of bad debt it expects to incur.

### **Balance sheet**

A Core Statement outlining the Council's financial position at year end, which shows:

- the balances and reserves at the Council's disposal
- long-term indebtedness (which is over one year)
- the long-term and net current assets employed in its operations
- summarised information on the long-term assets (held for more than one year) by category

### **Budget**

A budget is a plan of approved spending during a financial year (see also Financial Year).

### **Business Rates (see National Non-Domestic Rates)**

### **Capital Adjustment Account**

This account includes money we have set aside to finance spending on fixed assets.

### **Capital Programme**

The plan of approved spending on fixed assets.

### **Capital Receipts**

Money received from selling fixed assets, and from grant and loan repayments.

**CI&ES (Comprehensive Income & Expenditure Statement)**

A Core Statement showing the income, expenditure and net cost during the year in relation to each service the Council is responsible for.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy, the institute that governs accounting in the Public Sector.

**Collection Fund**

A statutory account which billing authorities maintain for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

**Contingent Assets**

Amounts that may become due to the Council, but their actual receipt is not definite.

**Community Assets**

Assets held by the Council, for example parks and historic buildings, which have no determinable useful life and may have restrictions on their disposal.

**Contingent Liabilities**

Amounts that the Council may be, but is not definitely, liable for.

**Council Tax**

A tax paid by residents of the Borough to the Council, based on the value of their property, to be spent on local services.

**Creditors**

People or organisations that the Council owes money to at the end of the financial year.

**Debtors**

People or organisations who owe the Council money at the end of the financial year.

**Dedicated Schools Grant**

Schools are funded separately from other Council services. The Council receives Dedicated Schools Grant (DSG) direct from the Government, which is paid over to schools.

**Deficit**

This occurs when spending exceeds income (opposite of surplus).

**Depreciation**

The measure of the wear and tear, consumption or other reduction in the useful economic life of a fixed asset.

**Earmarked Reserves**

Money set aside for a specific purpose in a future year.

**Escrow Account**

A bank account where the balance is held by a third party on behalf of the two parties in the transaction.

**Fair Value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Year**

Runs from 1st April to the following 31st March.

**Fixed Asset**

An item, for example land, buildings and vehicles, which yield benefits to the Council and the services it provides over a period of more than one year.

**General Fund (GF)**

The account that summarises the revenue cost of providing services by the Council.

**Impairment**

An asset has been impaired when it is judged to have lost value other than through normal use.

**Infrastructure assets**

Assets held by the Council such as highways and footpaths.

**Intangible Assets**

An item which does not have physical substance (for example, software licenses) but can be identified and used by the Council over a number of years.

**Inventories**

Items of stock owned by the Council which have not been used by the end of the financial year.

**Investment Properties**

Interest in land and/or buildings which are held for their investment potential rather than for operational purposes.

**Housing Revenue Account (HRA)**

A statutory account that contains all expenditure and income relating to the provision of council housing for rent. The HRA is a ring fenced account outside the General Fund.

**Lease**

A Finance Lease is an agreement to pay for an asset, for example a vehicle, in regular instalments where the person paying the lease (the Lessee) is deemed to own the asset. In contrast, an Operating Lease occurs when the Lessee is not considered to own the asset.

**Levy**

A payment made by the Council to another local service, for example, local transport and the Environment Agency.

**Liability**

Money the Council will have to pay to other people or organisations in the future.

**LOBO**

Lenders Options Borrowers Option. A form of loan, where the lender can change certain conditions of the loan, such as the dates and the interest rate. If this occurs the borrower then has the option of either continuing with the loan or redeeming it in full without a penalty.

**Long Term Loans**

Debts which are not due within the forthcoming financial year.

**Major Repairs Reserve**

A reserve to pay for large scale repairs to Council housing.

**Materiality**

An item is material if its inclusion in the financial statements would influence or change the judgment of a reasonable person. If the information would have no impact on the decision-maker, it is deemed not material.

**MIRS (Movement in Reserves Statement)**

A Core Statement showing the movement in the year on different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves' (see page 11 for a more detailed explanation).

**Net Asset Value**

The value of the Council's assets less its liabilities.

**Net Book Value (NBV)**

The value of an asset after depreciation has been deducted.

**Net Spending**

The amount spent on a service after taking into account income that a service has received.

**Non-current Assets**

An asset which is not easily converted into cash or expected to become cash within the next year.

**Non-Domestic Rates (NDR) or Business Rates**

Non-domestic rates or business rates, collected by a local authority, are a way in which those who occupy or own non-domestic property contribute to the cost of providing local services.

**Non Operational Assets**

This is an asset held by the Council over a number of years but not actively used by a service within the Council. An example of this would be investment properties (see also Operational Assets).

**Operational Assets**

This is an asset held by the Council over a number of years and actively used in the provision of services, such as office buildings or vehicles (see also Non Operational Assets).

**Payments in Advance**

Payments made in the current financial year for goods and services to be received in the following financial year.

**Precept**

This is money collected by the Council on behalf of another local service, for example the Fire and Police services.

**Prior Period Adjustments**

Changes made to the previous year's accounts to show things that were not known about until after that year's accounts were produced.

**Private Finance Initiative (PFI)**

Government initiative under which the council buys the service of a private sector supplier to Design, Build, Finance and Operate a public facility.

**Provisions**

Money set aside for a debt that is likely to arise in the future, for example insurance claims.

**Receipts in Advance**

Money received before the end of the financial year, which relates to the following financial year.

**Reserves**

Amounts put aside by the Council to provide for known future expenditure, e.g. replacement of an asset.

**Revaluation Reserve**

When the value of an asset owned by the Council changes, the increase or decrease in value is transferred to this reserve.

**Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Spending on assets that have a lasting value but are not owned by the Council.

**Revenue Spending**

Spending on the day-to-day running of services. This includes, for example, salaries or running expenses for the Council's buildings and equipment.

**Revenue Support Grant**

The main Government grant which helps support Council services.

**Ring fenced**

Certain accounts, such as the Collection Fund must be accounted for separately outside the General Fund as a statutory requirement.

**Specific Grants**

Grants from the Government which are to pay for a specific Council service or project.

**Surplus**

What is left of income after expenses have been taken away (opposite of deficit).

**Tangible Fixed Assets**

An item which has a physical substance and can be identified and used by the Council over a number of years.

**Third Party**

A person or entity who is not involved in an interaction or relationship with the Council.

**Trust Fund**

A fund administered by the Council on behalf of others for such purposes as charities and specific projects.

**Usable Capital Receipts Reserve**

Money received from the sale of fixed assets not yet used for new capital spending.

**Useful Life**

The period over which the local authority expects to derive benefits from the use of a fixed asset and over which, typically, it will be depreciated.

## **Contact Details and Other Sources of Information**

## Contact Details and Other Sources of Information

Enquiries or comments about this publication should be made to:

**Director of Resources**  
**Council House**  
**Manor Square**  
**Solihull**  
**B91 3QB**  
**Telephone: 0121 704 6080**

Other sources of information about Solihull MBC and its finances include:

- **Annual Report** (available online at [www.solihull.gov.uk](http://www.solihull.gov.uk))
- **Council Tax Booklet 2014/15**
- **Medium Term Financial Strategy 2014/15 – 2016/17**

Paper copies are available from Council House Reception, Solihull and reference copies are kept in Solihull Central Library, or visit the Solihull Council web site: [www.solihull.gov.uk](http://www.solihull.gov.uk)

Further information about the Fire and Rescue Authority and Police and Crime Commissioner finances can be obtained at the following addresses:

**The Treasurer to the West Midlands Police and Crime Commissioner**  
**Office of the West Midlands Police and Crime Commissioner**  
**Finance Department**  
**Lloyd House**  
**Colmore Circus**  
**Queensway**  
**Birmingham**  
**B4 6NQ**

**The Treasurer of the Authority**  
**West Midlands Fire and Rescue Authority**  
**PO BOX 2372**  
**Sandwell Council House**  
**Oldbury**  
**Warley**  
**B69 3DE**

**The Treasurer to the Integrated Transport Authority**  
**West Midlands Integrated Transport Authority**  
**Centro House**  
**16 Summer Lane**  
**Birmingham**  
**B19 3SD**

More detailed statistical information about Solihull and all other local councils is contained in a wide range of publications produced by CIPFA. Some of these publications are available in Solihull Central Library or alternatively from CIPFA itself:

**Chartered Institute of Public Finance and Accountancy**  
**3 Robert Street**  
**London**  
**WC2N 6RL**